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EDUCATION IN MARYLAND

Education in Maryland

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Foreword

Education is one of the key functions of government. Providing every citizen with the opportunity to receive a quality education is considered by many the most important function of government. From early education through college and beyond, education affects everyone. An educated citizenry enables the democratic form of government to flourish through an engaged civic life. An educated workforce that meets the needs of businesses creates jobs, growth, and prosperity.

Over 1.1 million students enroll in public schools, colleges, and universities in Maryland every year. An additional 190,000 students are enrolled in private schools and higher education institutions across the State with varying degrees of government support. Early childhood education serves nearly 50,000 children in publicly funded programs through prekindergarten. In addition, licensed or registered child care providers serve approximately 220,000 children and their parents, primarily through private providers with some government assistance.

State government plays a key role in public education. Providing a free, public education is a constitutional obligation of the State of Maryland. The State provides more than \$6.1 billion for preK-12 education. State support for higher education exceeds \$1.8 billion. In total, State funding for education represents nearly 50% of the State budget. Local governments provide substantial operating funding for preK-12 and community colleges, while the federal government provides funding primarily targeted at certain populations or initiatives, such as special education and financial assistance to low-income students.

This is the second edition of this handbook. It provides an overview of the structure, services, and funding of education across the continuum from early childhood to postsecondary education. The responsibilities of local, State, and federal government and data on enrollment, funding, and student performance are provided for each level of education. The handbook also summarizes the policies that shape education.

This is the ninth in a series of nine volumes of the 2014 Legislative Handbook Series prepared prior to the start of the General Assembly term by the staff of the Office of Policy Analysis, Department of Legislative Services. The material for this volume was researched and written by Sara Baker, Caroline Boice, Sara Fidler, Stacy Goodman, Garret Halbach, Kate Henry, Tiffany Johnson, Rebecca Ruff, and Dana Tagalicod. Scott Gates and Trevor Owen assisted with State and local funding data collection and analysis. Erika Schissler coordinated and reviewed the volume along with Sara Fidler, with

additional review by Rachel Hise, Susan Russell, and John Rohrer. A special thanks to Alicia Rummings and Judy Callahan, who prepared and finalized the manuscript.

The Department of Legislative Services trusts that this volume will be a useful introduction to Education in Maryland.

Karl S. Aro
Executive Director
Department of Legislative Services
Maryland General Assembly

Annapolis, Maryland
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Chapter 1. Early Childhood Development and Education

With research repeatedly demonstrating the importance of positive early educational experiences, State policy has focused on improving and enhancing early learning opportunities. With oversight from the State and the cooperation of local governments, local school systems, and private child care providers, a variety of early education services are provided to Maryland children and their families. In fiscal 2015, federal and State funding for early education initiatives and the administration of early childhood development and education programs in Maryland is estimated to total \$273.0 million, the majority of which is federal funds, as shown in Exhibit 1.1.

Exhibit 1.1
Funding for Early Childhood Development and Education
Fiscal 2015
(\$ in Millions)

	<u>State</u>	<u>Federal</u>	<u>Total</u>
State Department of Education			
Division of Early Childhood Development	\$13.4	\$40.7	\$54.1
Child Care Subsidy Program	37.8	45.1	83.0
Aid for Local Early Education Programs ¹	31.7	104.2	135.9
Total	\$82.9	\$190.0	\$273.0
Percent of Total	32.0%	68.0%	

Note: Numbers may not sum to total due to rounding.

¹State aid for local education programs includes fiscal 2015 appropriations for Healthy Families and Home Visiting, Infants and Toddlers, Baltimore Community Foundation – Judy Center, Head Start, Judy Centers, and Prekindergarten Expansion Grants. Federal aid for local education programs includes federal fiscal 2014 funds for Head Start Recovery Act, Special Education Grants for Infants and Families, Special Education – Preschool, and Head Start. Federal funds from the Race to the Top – Early Learning Challenge are included in the Division of Early Childhood Development Federal Funds.

Source: *Fiscal 2015 State Budget Books*; Department of Legislative Services; Department of Budget and Management

Governance of Early Childhood Development and Education

State Governance and Administration

Prior to 2005, the responsibility for overseeing Maryland's early childhood care and education programs was spread among several State agencies and administrations. With the goals of more closely aligning early childhood programs with primary and secondary education, enhancing school readiness in young children, and providing a single governance structure for early education programs, Chapter 585 of 2005 reorganized the State's child development programs under a new Early Childhood Development Division that was established in the Maryland State Department of Education. Early learning and child care programs that were previously within the Department of Human Resources and the Office for Children, Youth, and Families were transferred into the new division. In February 2006, the Purchase of Care Program, which provides subsidies to qualifying families to help pay for child care and has since been renamed the Child Care Subsidy Program, was transferred by executive order to the Maryland State Department of Education.

Responsible for the overall coordination of early child care and education in Maryland, the Division of Early Childhood Development is composed of three subdivisions: the Office of Child Care, the Early Learning Branch, and the Collaboration and Program Improvement Branch. The main mission of the division is to improve early education in Maryland so that young children are well prepared for school. As shown in Exhibit 1.1, the division is supported with \$13.4 million in State funds and \$40.7 million in federal funds in fiscal 2015, most of which was from the federal Child Care and Development Fund and the Race to the Top – Early Learning Challenge Grant. The division has 173.5 positions and provides about \$28.9 million in grants.

In 2011, Maryland received a four-year, \$50 million Race to the Top – Early Learning Challenge grant award from the U.S. Department of Education and the U.S. Department of Health and Human Services. The grant period was from January 2012 to December 2015. The Race to the Top – Early Learning Challenge is a federal grant program that gives money to states to focus on improving early learning and development programs for young children. According to the Maryland State Department of Education, Maryland's application included 10 projects designed to improve the school readiness results from 81% in 2010 to 92% in 2015 and to reduce the readiness gap for low-income children, English language learners, and young children with disabilities. In fiscal 2015, \$16.0 million in Race to the Top – Early Learning Challenge grant funds are being expended by the Division of Early Childhood Development.

Office of Child Care

The Office of Child Care regulates child care, monitors compliance with child care licensing requirements, identifies new child care resources, provides technical assistance to child care providers and parents, and encourages the growth of provider professionalism. The office contains four branches: the Licensing Branch, the Child Care Subsidy Branch, the Maryland EXCELS (Excellence Counts in Early Learning and School-age Child Care) Branch, and the Credentialing Branch.

The Licensing Branch licenses and monitors child care centers and family day care homes in the State. Its responsibilities include licensing new and existing child care providers, monitoring and enforcing compliance with child care regulations, investigating complaints of improper or illegal child care, and assisting child care programs to achieve and maintain regulatory compliance. The Licensing Branch maintains 13 regional licensing offices in the State. Each regional licensing office is responsible for all child care licensing activities within its geographic area.

The Child Care Subsidy Branch regulates and administers the Child Care Subsidy Program, which provides financial assistance with child care costs for families eligible for temporary cash assistance and other income-eligible working families. Although operation of the program was transferred to the Maryland State Department of Education in 2006, the Department of Human Resources continues to determine eligibility for child care subsidy services and provide case management for participating families. However, the State is considering privatizing eligibility determinations for the State Department of Education.

The Maryland EXCELS Branch administers the Maryland EXCELS program, a voluntary quality rating and improvement system that awards ratings to family providers, center-based and public school child care programs, and school age before- and after-school programs that meet increasingly higher standards of quality in key areas. The goals of Maryland EXCELS are to recognize early care and school age education programs that provide quality care, encourage providers to increase the level of quality provided in their program, and provide parents with information and choices about quality child care.

The Credentialing Branch administers the Maryland Child Care Credential Program. It also handles tiered reimbursement under the Child Care Subsidy Program, child care training approval, training vouchers and reimbursements, and accreditation support awards. The goals of the Credentialing Branch are to ensure that child care providers have access to quality training opportunities and are recognized for achieving quality improvements in child care.

Early Learning Branch

The Early Learning Branch of the Division of Early Childhood Development was formerly within the State Department of Education's Division of Instruction. The branch oversees the following early childhood programs:

- public prekindergarten and kindergarten, including curriculum development and policy and programmatic issues;
- the Judith P. Hoyer Early Childhood Education Enhancement Program, which provides central locations (known as Judy Centers) for early childhood education programs and support services for young children and their families who reside in specific low-income school districts;
- the Maryland Model for School Readiness, which is a research-based assessment and instructional system designed to provide teachers, families, and the early childhood community with a common understanding of what children should know and be able to do when they enter kindergarten;
- early childhood accreditation, under which the branch coordinates the application process for early care and education programs and provides support and technical assistance to programs considering the accreditation process; and
- the Early Childhood Curriculum Project, which provides guidance to child care and other nonpublic early childhood programs about curricular resources for four- and five-year-old children that are recommended by the State because they are aligned with the State's prekindergarten and kindergarten curricular frameworks.

Collaboration and Program Improvement Branch

The Collaboration and Program Improvement Branch of the Division of Early Childhood Development, through the administration of federal and State grant funds, is responsible for the development and implementation of efforts to improve the accessibility, availability, and quality of child care programs and services to meet the needs of Maryland's families and children. The branch issues and administers early care contracts and grants, including the Family Child Care Provider Grant and the Quality Improvement Grant. It also houses the projects described below.

- The Head Start State Collaboration Project coordinates early learning and comprehensive services between local Head Start and Early Head Start programs

and State and local agencies. Head Start and Early Head Start programs are comprehensive child development programs for low-income families with children from birth to age five, pregnant women, and children with disabilities.

- The Early Childhood Mental Health Project helps to identify and address child behavioral issues in early learning environments.

The Collaboration and Program Improvement Branch also contracts with the Maryland Committee for Children, Inc. to operate and administer the statewide Maryland Child Care Referral and Resource Network. Under the contract, every community in Maryland is served by 1 of 13 regional Child Care Resource Centers that are aligned geographically with the 13 licensing centers operated by the Office of Child Care Licensing Branch.

Infants and Toddlers Program

Although it is not under the Division of Early Childhood Development, the Maryland State Department of Education also coordinates the Maryland Infants and Toddlers Program under its Division of Special Education. The program provides a system of comprehensive community-based intervention services to young children with developmental delays and disabilities. The Maryland State Department of Education oversees local infants and toddlers programs established in each county and Baltimore City.

Maternal and Infant Home Visiting

The Maryland Maternal and Infant Home Visiting Project administers the home visiting programs in the State. Home visiting is a voluntary early childhood strategy that can enhance parenting and promote the growth and development of young children. Maryland currently has five home visiting programs: Nurse-Family Partnership, Healthy Families America, Parents as Teachers, Home Instruction for Parents of Preschool Youngsters, and Early Head Start. Although the Maryland Maternal and Infant Home Visiting Project is run through the Department of Health and Mental Hygiene, the goals, objectives, and activities of the project are blended into several Maryland State Department of Education initiatives, including the Early Childhood Advisory Council as well the Race to the Top – Early Learning Challenge Grant.

Local Governance

In order to effectively provide child development services, a significant level of participation and coordination is required at the local level. The largest early education program administered locally is prekindergarten. Chapter 288 of 2002, modified by

Chapter 2 of 2014, required every school system to make publicly funded prekindergarten programs available to economically disadvantaged children in the year before they start kindergarten. Accordingly, all 24 local school systems provide prekindergarten services to a portion of the four-year-olds in their districts. Most prekindergarten programs are provided directly by the local school system.

The coordination of services and programs at the local level also includes several other responsibilities identified below.

- The State's local departments of social services accept applications and make eligibility determinations for vouchers provided through the Child Care Subsidy Program.
- Local infants and toddlers programs coordinate and ensure the provision of early intervention services for eligible children with developmental delays and disabilities and their families. Administration of these programs is provided by local school systems in some jurisdictions and by local health departments in others.
- All but one local school system operates at least one Judy Center.
- Early Head Start programs serve pregnant women and children under three years old in 10 counties and Baltimore City, and Head Start programs serve children aged three to five years old in all 24 counties. In some counties, Head Start and Early Head Start programs are operated by county agencies or local school systems; private providers operate the programs in other counties.

Early Childhood Development Services

Private Day Care Providers

Private providers have a significant role in early education because they are a primary source of day care for children who are too young to attend elementary school. There are two types of private day care providers licensed by the State: child care centers and family day care homes.

Child Care Centers

A child care center is a facility that provides nonparental care of children for part of a 24-hour day in a group setting, such as a child care center, preschool, child development center, nursery school, before- or after-school program, school age child care, or early

learning center. A child care center in the State is required to be licensed by the Maryland State Department of Education unless exempted.

Family Day Care Homes

A family day care provider is an individual who cares for no more than eight children in a registered family day care home. A family day care home may not operate in the State unless it is registered by the Maryland State Department of Education or is exempt from registration.

Registering and Licensing Private Providers

The Maryland State Department of Education implements a system of registration for family day care homes and a separate licensing system for child care centers according to regulations adopted by the State Board of Education. Regulations and statutory provisions governing the providers are designed to ensure safe and sanitary conditions; proper care, protection, and supervision of children; and the health of children in family day care homes and child care centers. Providers must meet established staff-to-child ratios, caregivers must be certified in basic first aid and cardiopulmonary resuscitation, and all employees must submit to criminal background checks. Family day care homes and child care centers are also required to have written emergency preparedness plans for emergency situations that require the evacuation, sheltering in place, or other protection of children.

In fiscal 2013, there were 2,710 licensed child care centers in the State, with a capacity to provide care for 163,530 children. In addition, there were 7,294 registered family day care homes, with a capacity to provide care for 54,950 children.

Maryland Child Care Credential Program

The Maryland Child Care Credential Program is a voluntary program that recognizes child care providers who go beyond the requirements of State licensing and registration regulations. There are six credential levels and four administrator levels in the program, each one recognizing a child care provider's achievement of a specified number of training hours, years of experience, and professional activities important for providing quality child care programs. A participant in the credential program must be a registered family day care provider or an operator, director, or staff member in a licensed child care center. In fiscal 2013, 6,582 providers participated in the child care credential program. A total of 4,125 credentials were issued – 3,710 to child care center personnel and 415 to family day care providers.

A provider that applies to participate in the credential program must agree to continue working in a child care setting for not less than one year from the date the provider is accepted into the credential program, complete continued training for the applicable credential level, and participate in professional activities related to the child care profession. Participating providers are required to complete training in six Core of Knowledge areas to develop the knowledge and skills they need to provide the highest quality care for the children and families they serve. The Core of Knowledge is defined as theories and practices that are essential for individuals working with children in family day care homes and child care centers.

A credential is issued for a 12-month period and may be renewed each year. Incentives are available to qualifying child care providers participating in the credential program and include achievement bonuses and training vouchers.

Maryland EXCELS is a voluntary tiered quality rating and improvement system that recognizes the accomplishments of early childhood and “school-age only” programs and providers through a set of standards with five levels that offer a pathway to high quality. Maryland EXCELS includes standards in different areas of early care and education, including licensing, learning environments, staffing and professional development, developmentally appropriate learning and program practices, child assessment, program administration and policies, and accreditation.

Maryland EXCELS also provides information to families on choosing high-quality child care and education programs and articulates to the public the level of quality in early- and school-age only child care and education programs.

Child Care Subsidy Program

The Child Care Subsidy Program (formerly the Purchase of Care program) provides financial assistance with child care costs to families that meet applicable State or federal requirements. To be eligible for child care subsidies, a State resident must meet need and income requirements and have a child for whom services are sought and who meets citizenship requirements. The need requirement may be met when the child’s parent or guardian is not available to care for the child because the parent or guardian is working, enrolled in public school, enrolled in training, participating in a job search activity, participating in a work activity, or participating in another approved activity. To meet income requirements, an individual must be a recipient of temporary cash assistance or Supplemental Security Income or within child care subsidy income guidelines.

Applications for child care subsidy services are submitted to the State’s local department of social services in a county or Baltimore City, or, in Montgomery County,

the Montgomery County Department of Health and Human Services. Once eligibility is determined and an application is approved, the local department issues a voucher to the eligible family and provides access to information and referral services to assist the family in finding appropriate child care.

After receiving the voucher from the State's local department of social services, the eligible family uses the voucher to purchase child care from a participating provider. A participating provider may be a registered family day care home or a licensed child care center. Under certain circumstances, a voucher may be used for informal child care, such as relative care, in-home care, and babysitting, if approved by the local department. Depending on income level, a family may be required to contribute a copayment toward the cost of child care. Federal regulations require the program to serve welfare participants.

Providers electing to participate in the program must abide by the rules and regulations of the program, which address reimbursement rates set according to the amount of a family copayment and the family's income, size, and geographic area of the State. Through a tiered reimbursement system, providers that go beyond the State's licensing and registration requirements are eligible to receive greater payments from the program.

In fiscal 2013, 10,026 families participated in the program, and 16,843 children were served. In fiscal 2015, the program is supported with \$37.8 million in State funds and \$45.1 million in federal funds.

Maryland Child Care Referral and Resource Network

The State contracts with the Maryland Committee for Children, Inc. to operate 13 regional Child Care Resource Centers. Counselors in the resource centers help parents to locate and evaluate child care and provide technical assistance and training for current and prospective child care providers. Technical assistance is likewise provided to employers who are concerned about their employees' child care needs. Child Care Resource Centers also collect data to document the child care needs of families and employers and identify the distinct needs of different regions within the State.

Collective Bargaining for Family Day Care Providers

An executive order issued in 2007 authorized collective bargaining for registration and registration-exempt family day care providers participating in the State's Child Care Subsidy Program. Chapter 496 of 2010 established these collective bargaining rights in State law. Chapter 496 required that one appropriate bargaining unit of family day care

providers be established in the State and that the election and certification of the exclusive representative be conducted by the State Labor Relations Board.

Collective bargaining must include all matters related to the terms and conditions of participation by family day care providers in the Child Care Subsidy Program, including reimbursement rates, benefits, payment procedures, contract grievance procedures, training, and member dues deductions. Negotiations must also result in the establishment of a fund for the purpose of protecting family day care providers against extreme hardship or loss of livelihood resulting from late State payments. It should be noted that any impact on Maryland resulting from the recent United States Supreme Court decision, *Harris v. Quinn*, 573 U.S.____ (2014), which dealt with the issue of collecting service fees from nonunion members, has not been fully determined.

Early Childhood Education Programs and Funding

State and Federal Aid for Local Early Education Programs

The State supports four early education programs operated at the local level: the Judith P. Hoyer Early Childhood and Education Enhancement Program, the Maryland Infants and Toddlers Program, Head Start, and Healthy Families/Home Visiting. As shown in Exhibit 1.2, in fiscal 2015, these programs were supported with \$27.4 million in State funds, which does not include publicly funded prekindergarten for four-year-olds.

Exhibit 1.2
State Aid for Early Education Programs by County
Fiscal 2015

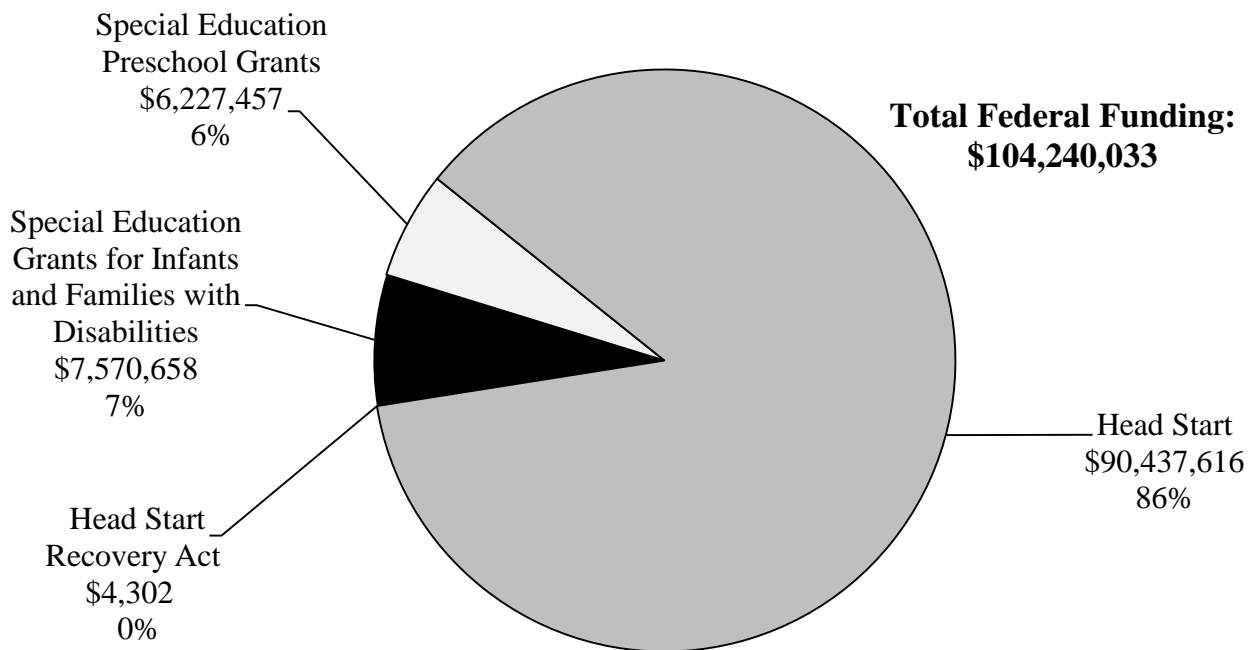
County	Judy Hoyer Program	Infants and Toddlers	Head Start	Healthy Families/ Home Visiting	Total
Allegany	\$327,067	\$145,569	\$52,325	\$55,567	\$580,528
Anne Arundel	204,556	1,037,665	66,520	0	1,308,741
Baltimore City	2,026,046	1,302,336	637,297	595,143	4,560,822
Baltimore	384,140	1,517,965	296,117	281,505	2,479,727
Calvert	336,294	152,575	97,881	253,780	840,530
Caroline	329,626	69,281	73,783	76,043	548,733
Carroll	465,685	288,024	31,539	0	785,248
Cecil	436,309	184,491	0	0	620,800
Charles	658,160	219,521	0	348,722	1,226,403
Dorchester	326,540	71,617	0	363,132	761,289
Frederick	428,492	407,904	44,950	310,740	1,192,086
Garrett	335,634	26,467	49,519	387,562	799,182
Harford	23,470	438,264	9,904	0	471,638
Howard	436,548	516,108	43,576	321,686	1,317,918
Kent	401,333	12,455	11,885	64,025	489,698
Montgomery	677,552	2,163,294	131,236	179,248	3,151,330
Prince George's	521,767	1,108,503	171,828	180,900	1,982,998
Queen Anne's	339,368	90,299	0	296,372	726,039
St. Mary's	331,548	168,144	0	0	499,692
Somerset	9,868	21,796	0	299,562	331,226
Talbot	348,142	56,826	0	0	404,968
Washington	441,033	200,060	80,055	277,993	999,141
Wicomico	338,711	148,683	0	298,363	785,757
Worcester	435,211	41,257	0	0	476,468
Unallocated	11,900	0	1,585	324	13,809
Total	\$10,575,000	\$10,389,104	\$1,800,000	\$4,590,667	\$27,354,771

Note: Does not include publicly funded prekindergarten for four-year-olds. Except for Judy Hoyer funds, which are a competitive grant, appropriations are based on prior year actuals.

Source: Department of Budget and Management

In addition to the funding provided by the State, the federal government funds some early education programs that are operated at the local level, primarily Head Start. Aid for these services amounted to \$104.2 million in federal fiscal 2014, as shown in Exhibit 1.3.

Exhibit 1.3
Federal Funding for Local Early Education Programs
Fiscal 2014



Note: Does not include the Race to the Top – Early Learning Challenge Grant.

Source: Department of Legislative Services; Federal Funds Information for States

Judith P. Hoyer Early Childhood Education Enhancement Program

In close collaboration with local agencies, organizations, and businesses, Judy Centers provide early education and family support services in or near schools that enroll large proportions of economically disadvantaged students. Judy Centers are generally open year-round and must provide preschool and prekindergarten services. In addition, the centers provide or can arrange for services such as health care, adult education, identification of and early intervention for special needs, child care, parenting classes, and family literacy.

There are 51 Judy Centers located around the State. Each county and Baltimore City has at least one Judy Center, except for Somerset County, which does not have any Judy Centers. The Maryland State Department of Education selects which applications to fund through an evaluation process. State aid for the program is not mandated but has been level-funded at \$10.6 million annually since fiscal 2004.

As established by Chapter 680 of 2000 and revised by Chapter 2 of 2014, the Judith P. Hoyer Early Childhood Education Enhancement Program provides grants for initiatives that promote school readiness. Funding from the program may be awarded for the purposes described below.

- ***Judy Center Grants:*** A local school system may apply for a grant to establish a Judy Center that provides family support services and comprehensive, full-day early child care and education services. A system that receives a Judy Center Grant must implement the Maryland State Department of Education’s Early Childhood Comprehensive Assessment System, which is discussed below under “Measuring Kindergarten Readiness.”
- ***Early Childhood Education Enhancement Grants:*** These grants may be used to purchase family support services or early child care and education services from accredited private providers. The grants may also be distributed to private providers to assist them in obtaining accreditation or to enhance their professional development activities.
- ***Preschool Services Grants:*** The Maryland State Department of Education may distribute these grants to be used to provide prekindergarten services for four-year-old children whose birthdays fall on or before September 1 of the school year during which services will be provided and whose family income is below a certain level. Preschool services grants may be distributed to county boards of education and private providers.
- ***Funding for Assessments:*** These grants provide aid to public school systems for the purpose of implementing the Maryland State Department of Education’s Early Childhood Comprehensive Assessment System.

Additionally, Judy Centers and private providers of preschool services under the Judith P. Hoyer Early Childhood Education Enhancement Program are considered “qualified vendors” for purposes of the Prekindergarten Expansion Grant Program further discussed later in this chapter. Qualified vendors may use Prekindergarten Expansion Grants to expand prekindergarten services for existing Judy Centers for certain families.

History of Major Changes:

- 2000 Chapter 680 established the Judith P. Hoyer Early Child Care and Education Enhancement Program.
- 2011 Chapter 421 altered the date by which a required annual report on the implementation of the Judith P. Hoyer program and the participating agencies and programs is due.
- 2014 Chapter 2, the Prekindergarten Expansion Act, renamed the Judith P. Hoyer Early Child Care and Education Enhancement Program to be the Judith P. Hoyer Early Childhood Education Enhancement Program. Chapter 2 also provided that private providers of preschool services under the Judith P. Hoyer Early Childhood Education Enhancement Program are considered “qualified vendors” for purposes of the Prekindergarten Expansion Grant Program. Qualified vendors may use Prekindergarten Expansion Grants to expand prekindergarten services for existing Judy Centers for certain families.

Legal Reference: Education Article, Section 5-217

Infants and Toddlers Program

The Maryland Infants and Toddlers Program provides early intervention services for children with developmental delays and disabilities and their families beginning at birth until the child reaches kindergarten age. The purpose of the Maryland Infants and Toddlers Program is to provide a statewide, community-based interagency system of comprehensive early intervention services designed to meet the developmental needs of each eligible child and the needs of the family relating to the child’s development in order to enhance a child’s potential for growth and development before the child reaches school age. The services are selected in collaboration with parents and provided by qualified personnel in conformity with an Individualized Family Service Plan developed for each child.

The program includes services provided or supervised by the Maryland State Department of Education, the Department of Health and Mental Hygiene, the Department of Human Resources, and the Governor’s Office for Children. These services can include assistive technology devices and services, audiology, counseling services, parent counseling and training, health services, medical services for diagnostic or evaluation purposes, nursing services, nutrition services, occupational therapy, physical therapy, psychological services, recreation, social work services, special education, speech pathology, vision services, and transportation.

The Maryland State Department of Education is the lead agency for the State's early intervention system for children with disabilities and their families. The department supervises and monitors the Maryland Infants and Toddlers Program assisted by a State interagency coordinating council appointed by the Governor and provides technical assistance and enforcement of the obligations imposed by the program. In overseeing the program, the department maintains a central directory of information, publishes an annual statewide public awareness plan, provides the Maryland Individualized Family Service Plan process and document for statewide use, develops and implements a comprehensive system of personnel development, and establishes appropriate professional requirements for personnel providing early intervention services for eligible children and their families.

At the local level, local lead agencies designated by the local governing authority in each county and Baltimore City administer the program in their jurisdictions under the direction of the Maryland State Department of Education. The local lead agencies are advised and assisted in the development and implementation of policies that constitute the local program by local interagency coordinating councils. In addition to the submission of financial and other written reports on the local program to the department, the local lead agencies must identify local public and private early intervention services and resources for inclusion in the central directory maintained by the department; coordinate the development and implementation of local public awareness programs that focus on the early identification of children who may be eligible to receive services; develop written policies and procedures for evaluation and assessment of each child referred for evaluation; ensure development of the initial Maryland Individualized Family Service Plan for each program participant; and ensure that early intervention services are provided in natural or least restrictive environments. As shown in Exhibit 1.4, the Maryland Infant and Toddlers Program serves nearly 9,400 children.

Exhibit 1.4
Children Served by Early Childhood Education Programs
September 2013

County	Infants and Toddlers	Head Start/ Early Head Start
Allegany	110	322
Anne Arundel	916	441
Baltimore City	1,019	4,152
Baltimore	1,381	684
Calvert	173	142
Caroline	37	253
Carroll	231	192
Cecil	161	113
Charles	199	252
Dorchester	45	190
Frederick	294	247
Garrett	46	300
Harford	513	218
Howard	374	252
Kent	14	33
Montgomery	2,014	959
Prince George's	1,114	931
Queen Anne's	62	60
St. Mary's	183	190
Somerset	19	185
Talbot	52	131
Washington	219	485
Wicomico	152	387
Worcester	43	94
Total	9,371	11,213

Source: Maryland State Department of Education

The State provides aid to local agencies to help support the Maryland Infants and Toddlers Program. A discretionary formula for the distribution of infants and toddlers funding was established in 2002; however, the formula has never been fully funded. The annual funding level for the program was increased from \$5.8 million to \$10.4 million in

fiscal 2009, and the allocation of the funding among the 24 local lead agencies has been constant since then. The annual budget proposal submitted by the Governor must include at least as much funding for the Maryland Infants and Toddlers Program as was provided the previous fiscal year.

History of Major Changes:

- 1997 Chapters 385 and 386 transferred the Maryland Infants and Toddlers Program from the Office for Children, Youth, and Families to the Maryland State Department of Education.
- 2002 Chapter 288 dedicated \$4.8 million from an increase in the tobacco tax to the program in fiscal 2003. Chapter 312 established a discretionary formula for the distribution of program funding to begin in fiscal 2004.
- 2006 Chapter 298 required the Governor to include in the annual budget proposal funding for the Maryland Infants and Toddlers Program that is at least equal to the amount provided in the prior fiscal year.
- 2014 Chapter 404 codified the Extended Individualized Family Service Plan Option, which allows children to continue in the program until the child reaches kindergarten age.

Legal Reference:

Education Article, Section 8-416
Code of Maryland Regulations, Title 13A, Subtitle 13

Head Start and Early Head Start

The Head Start and Early Head Start programs are federally funded, comprehensive child development programs for low-income families with children from birth to age five, pregnant women, and children with disabilities. Head Start is designed to help children develop their social and cognitive skills and to prepare them to enter school by providing early childhood education, health services, parent education, nutrition, and other services. Families with incomes at or below the federal poverty level are eligible for services. While Head Start serves families with children from ages three to five years old, Early Head Start serves pregnant women and families with children from birth through age two. Direct services under the programs, including eligibility enrollment, are handled by local Head Start programs.

There are 26 Head Start and Early Head Start grantee offices in the State. Grantees may be local school systems, local governments, nonprofit organizations, or other providers authorized by the federal government. Some grantees provide service coverage for more than 1 local jurisdiction so that programs are provided in all 24 local jurisdictions. The federal government determines the number of children each program site must serve, and the centers must be fully enrolled.

While over 40 Head Start programs serve children in all 24 counties, there are over 240 physical locations that provide the actual Head Start/Early Head Start programming to children throughout the State. As shown in Exhibit 1.4, the programs served more than 11,000 children in fiscal 2014.

In response to additional Head Start funding from the federal government through the American Recovery and Reinvestment Act of 2009, the General Assembly reduced Head Start State funding to \$1.8 million in fiscal 2010 from its historical annual funding level of \$3.0 million. Relative to the federal funding provided for the program (\$90.4 million in fiscal 2014), the State contribution of \$1.8 million in fiscal 2015 is small. State funding is generally used to support summer programs and before- and after-school programs for children enrolled in Head Start.

Prekindergarten for Four-year-olds

Prekindergarten is one of the primary early childhood education services provided in Maryland. Chapter 288 of 2002, the Bridge to Excellence in Public Schools Act, required each local school system to make publicly funded prekindergarten available to economically disadvantaged four-year-old children in the State. To qualify as economically disadvantaged, a child must be from a family whose income is at or below 185% of federal poverty guidelines. Prekindergarten programs must be available five days a week for at least two and a half hours per day consistent with the regular school schedules set by the local boards of education. Classrooms must include an early childhood education teacher who possesses a valid teaching certificate and a paraprofessional and must maintain a staff to student ratio of 1:10 with an average of 20 students per classroom. If vacancies remain after economically disadvantaged children have been enrolled, local school systems may make prekindergarten available to other subpopulations of three- and four-year-old children that exhibit a lack of readiness for school.

State funding for prekindergarten was built into the State education aid structure established in the Bridge to Excellence in Public Schools Act of 2002 (for further information, see Chapter 3 of this handbook). Likewise, local funding for prekindergarten is part of the overall funding that the counties and Baltimore City provide for the boards of education and is not a separate line item within county appropriations. As a result, funding

devoted to publicly funded prekindergarten is embedded in the total funding level for local school systems and cannot be isolated within local budgets.

As shown in Exhibit 1.5, publicly funded prekindergarten programs in the 24 local school systems served 26,357 four-year-old students in September 2013. Of the 26,357 prekindergarten students, 69% attended half-day prekindergarten programs and 31% attended full-day programs. Baltimore City, Garrett, and Kent counties are the only counties that provide only full-day prekindergarten programs.

Chapter 2 of 2014, the Prekindergarten Expansion Act, expanded prekindergarten services to additional eligible four-year-old children from families whose income is at or below 300% of federal poverty guidelines by establishing a competitive grant program to provide funding to qualified public and private prekindergarten providers including Judy Centers. If funds are provided for the expansion program in the State budget, then at least the same amount must be provided in subsequent years. The fiscal 2015 budget included \$4.3 million for the expansion program – thus, at least \$4.3 million must be provided annually. As shown in Exhibit 1.6, the \$4.3 million in prekindergarten expansion grants was allocated to fund 24 prekindergarten programs in 14 counties. The grant recipients included a mix of community-based programs, Judith P. Hoyer programs, and public school programs. The grants will provide capacity for at least an additional 1,563 children each year beginning in the 2014-2015 school year.

Exhibit 1.5
Prekindergarten Enrollment by Type of Program
September 2013

County	Half-day Program	Full-day Program	Total
Allegany	481	0	481
Anne Arundel	1,306	677	1,983
Baltimore City	0	4,541	4,541
Baltimore	3,192	0	3,192
Calvert	322	0	322
Caroline	288	0	288
Carroll	337	0	337
Cecil	582	40	622
Charles	591	271	862
Dorchester	248	2	250
Frederick	707	269	976
Garrett	0	98	98
Harford	722	0	722
Howard	817	0	817
Kent	0	125	125
Montgomery	2,691	460	3,151
Prince George's	3,343	1,421	4,764
Queen Anne's	225	0	225
St. Mary's	748	57	805
Somerset	210	0	210
Talbot	222	0	222
Washington	406	60	466
Wicomico	383	160	543
Worcester	343	12	355
Total	18,164	8,193	26,357
	69%	31%	

Source: Maryland State Department of Education

Exhibit 1.6
Prekindergarten Expansion Grants
Fiscal 2015

County	Number of Grants	Number of Children Served	Grant Amount
Allegany	0	0	\$0
Anne Arundel	0	0	0
Baltimore City	1*	100	112,000
Baltimore	5	180	720,532
Calvert	0	0	0
Caroline	1	102	330,000
Carroll	1	20	111,403
Cecil	0	0	0
Charles	0	0	0
Dorchester	0	0	0
Frederick	4	85	293,644
Garrett	2	120	442,000
Harford	1	20	56,000
Howard	1	76	268,800
Kent	0	0	0
Montgomery	3	60	336,000
Prince George's	1	420	571,621
Queen Anne's	1	40	112,000
St. Mary's	0	0	0
Somerset	1	140	330,000
Talbot	0	0	0
Washington	1	100	336,000
Wicomico	1	100	280,000
Worcester	0	0	0
Total	24	1,563	\$4,300,000

*An additional Judy Center in Baltimore City at Arundel Elementary School will be funded in part by the Baltimore Community Foundation.

Source: Maryland State Department of Education

Measuring Kindergarten Readiness

The services described in this chapter are provided with the goal of preparing all children for entry into kindergarten. To measure progress toward the achievement of this objective, the Maryland State Department of Education has been using the Maryland Model for School Readiness assessment, which gauges readiness in seven domains: personal and social development; language and literacy; mathematical thinking; scientific thinking; social studies; the arts; and physical development. Teachers evaluate and rate students during the first eight weeks of kindergarten according to a checklist of 30 indicators. Students rated “fully ready” consistently demonstrate the skills, behaviors, and abilities needed to meet kindergarten expectations. “Approaching readiness” means the necessary skills and behaviors are inconsistently demonstrated. Children who are still “developing readiness” do not demonstrate the necessary skills and behaviors, and considerable instructional support is needed for these children.

The Maryland State Department of Education, in partnership with the Ohio Department of Education, has developed a new comprehensive assessment system to assist early childhood educators in improving learning opportunities and outcomes for children. The new assessment system, Ready for Kindergarten, builds on the Maryland Model for School Readiness and is aligned with the more rigorous Maryland College- and Career-Ready Standards for K-12 instruction. Ready for Kindergarten connects to the Maryland Longitudinal Data System to allow for further reporting and at an earlier level than before. Ready for Kindergarten has two components: (1) an early learning assessment, a voluntary assessment that measures the learning progress of three- to six-year-olds across five levels of learning progressions in seven domains; and (2) the kindergarten readiness assessment, which is administered to all incoming kindergarteners and measures readiness in seven developmental domains.

The Ready for Kindergarten Early Childhood Comprehensive Assessment System differs from the Maryland Model for School Readiness in a number of ways. First, Ready for Kindergarten is an assessment system that can assess three- to six-year-olds, where the Maryland Model for School Readiness only assessed kindergarten aged children. Ready for Kindergarten looks at the learning progression of children over time and defines specific learning progressions at various intervals for each developmental domain. Lastly, teachers have more flexibility in when they choose to give the kindergarten readiness assessment, as long as it is between the first day of classes and the end of October.

In the summer of 2014, all kindergarten teachers throughout the State were expected to receive training and professional development on the new assessment. In the 2014-2015 school year, all local school systems will begin implementing the kindergarten readiness assessment, and by early 2015, the early learning assessment will be launched.

Statewide, 83% of entering kindergarteners were fully ready to learn during the 2013-2014 school year, the final year in which the Maryland Model for School Readiness was used, and an additional 15% of entering kindergarteners were deemed to be approaching readiness. The percent of children rated as fully ready to learn varied from a high of 95% in Caroline County to a low of 72% in Talbot County, as shown in Exhibit 1.7. The majority of the students not fully ready to learn were assessed as “approaching readiness”; only 1% to 7% of kindergarteners in each county were categorized as “developing readiness.” From the 2012-2013 to the 2013-2014 school year, Baltimore City and Prince George’s County had the largest increase (12 percentage points for each) in children entering kindergarten fully ready to learn. The kindergarten readiness level of children also varies by the type of prekindergarten or child care provided. As shown in Exhibit 1.8, nonpublic nursery schools (93%) and child care centers (89%) have the highest percentage of children entering kindergarten fully ready to learn.

Exhibit 1.7
Readiness Levels of Children Entering School
2013-2014 School Year

County	Fully Ready	Approaching Readiness	Developing Readiness
Allegany	89%	9%	2%
Anne Arundel	84%	13%	2%
Baltimore City	76%	20%	4%
Baltimore	83%	12%	2%
Calvert	85%	13%	2%
Caroline	95%	5%	1%
Carroll	94%	5%	1%
Cecil	80%	17%	4%
Charles	82%	16%	3%
Dorchester	76%	18%	6%
Frederick	89%	9%	2%
Garrett	89%	9%	2%
Harford	89%	9%	2%
Howard	84%	14%	2%
Kent	75%	23%	2%
Montgomery	81%	16%	3%
Prince George's	80%	16%	4%
Queen Anne's	91%	8%	1%
St. Mary's	87%	12%	1%
Somerset	90%	7%	3%
Talbot	72%	24%	5%
Washington	66%	27%	7%
Wicomico	90%	9%	1%
Worcester	86%	11%	3%
State	83%	15%	3%

Note: Percentages may not sum to 100% due to rounding.

Source: Maryland State Department of Education

Exhibit 1.8
Readiness Levels of Children Entering School by Type of Prior Care
2013-2014 School Year

<u>Type of Prior Care</u>	<u>Fully Ready</u>	<u>Approaching Readiness</u>	<u>Developing Readiness</u>
Child Care Center	89%	10%	1%
Family Child Care	79%	17%	3%
Head Start	73%	21%	5%
Home/Informal Care	73%	22%	5%
Nonpublic Nursery	93%	7%	1%
Public Prekindergarten	83%	14%	3%

Source: Maryland State Department of Education

Chapter 2. Primary and Secondary Education – Organization and Programs

Primary and secondary education is one of the most significant services provided in the State, with approximately 837,000 kindergarten through grade 12 full-time equivalent students enrolling in local public school systems each year. The State generally provides coordination, oversight, and monitoring of the education services provided by the 24 local school systems (23 counties and Baltimore City).

The Constitution of Maryland, adopted in 1867, requires the General Assembly to “establish throughout the State a thorough and efficient System of Free Public Schools....” (Article VIII, Section 1). Pursuant to this mandate, the General Assembly established a system governed by the State Board of Education at the State level and by 24 local boards of education, one in each county and Baltimore City. Exhibit 2.1 displays this governance structure.

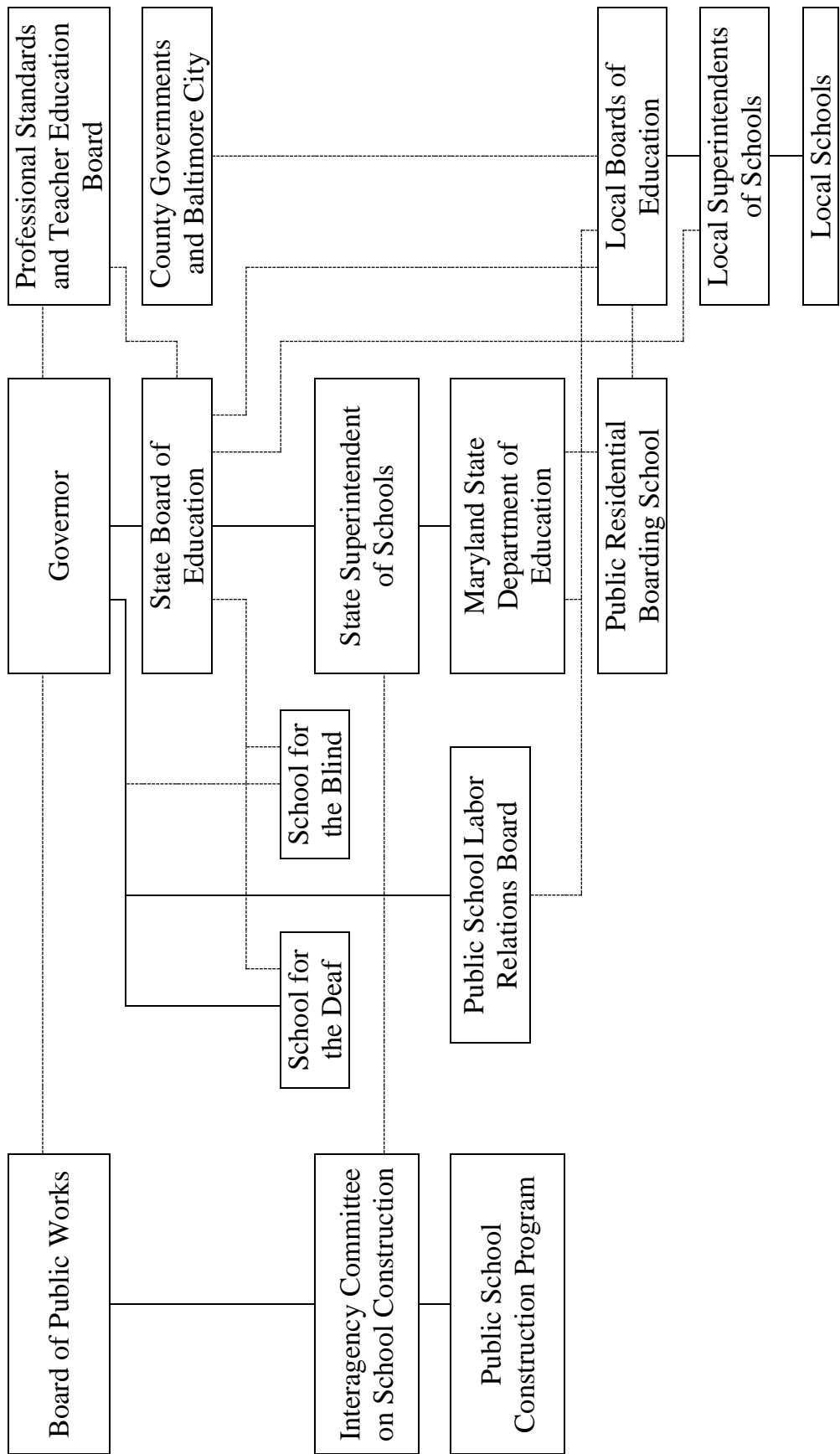
State Governance

State Board of Education

The State Board of Education has general authority over public elementary and secondary education in Maryland and appoints the State Superintendent of Schools. The Governor, with the advice and consent of the Maryland Senate, appoints the 12-member board. Eleven members serve staggered four-year terms. The twelfth member, a student, serves for one year and has limited voting powers. With the assistance of the State Superintendent, the State board assesses the educational needs of Maryland, recommends appropriate legislation, and prepares an annual State public school budget for consideration by the Governor. The State board may order public and nonpublic schools to correct deficiencies if they fail to meet standards established by the board. Other responsibilities of the board include:

- adopting bylaws, rules, and regulations for the administration of public schools;
- deciding controversies and disputes arising under State laws governing primary and secondary education;
- establishing basic policies and guidelines for instructional programs;

Exhibit 2.1
Governance Structure of Primary and Secondary Education in Maryland



Note: Solid line indicates a relationship of direct authority.

Source: Department of Legislative Services

- establishing regulations for the promotion and graduation of students;
- developing, in conjunction with the Professional Standards and Teacher Education Board, rules and regulations for the certification of teachers and other professionals; and
- establishing performance standards for students, schools, and school systems.

Maryland State Department of Education

Under the direction of the State Board of Education and the State Superintendent, the Maryland State Department of Education is the State agency with the most direct impact on primary and secondary education in Maryland. The department develops the State's overall policies and guidelines for primary and secondary education, directs the State's vocational rehabilitation programs, operates the State's educational program for students held in Department of Juvenile Services facilities, and distributes and accounts for State grants to local school systems and educational institutions. The department also supervises the State's library system, which includes statewide and regional resource centers as well as county libraries. For further information on Maryland's public libraries, including State aid data, see Chapter 8 of *Volume II – Government Services in Maryland* and Chapter 16 of *Volume VI – Maryland Local Government* of the Legislative Handbook Series.

Interagency Committee on School Construction

The Interagency Committee on School Construction supports the Board of Public Works in the administration of the Public School Construction Program and coordinates the activities of school construction employees in the Maryland State Department of Education, the Maryland Department of Planning, and the Department of General Services. The committee assists local school systems and local government bodies in planning, designing, and constructing primary and secondary educational facilities. The committee is composed of the State Superintendent of Schools, the Secretary of Planning, the Secretary of General Services, a member of the public appointed by the President of the Senate, and a member of the public appointed by the Speaker of the House.

Statewide Schools

The State also operates or oversees the operations of three statewide schools – the Maryland School for the Blind, the Maryland School for the Deaf, and a residential

boarding education program, each of which has its own governing board – as well as educational programs at facilities operated by the Department of Juvenile Services.

Maryland School for the Blind

The Maryland School for the Blind is a nonprofit organization that provides educational programs to Maryland students from birth to age 21 who are blind, severely visually impaired, or visually impaired/multi-disabled. Through its Baltimore City campus program, the school provides highly specialized services to these students. The Maryland School for the Blind also provides equipment, Braille textbooks, and tutoring services to students with visual impairments who are attending schools across the State. As of October 2013, the school was serving 177 students, over half of whom were multiply and profoundly disabled.

The Maryland School for the Blind is governed by a 25-member board of directors established in State law. Subject to confirmation by the State Senate, 5 members are appointed jointly by the Governor and the State Superintendent of Schools with recommendations from the chairman of the board. The other 20 members are elected according to the charter and bylaws of the Maryland School for the Blind.

Maryland School for the Deaf

The Maryland School for the Deaf is a State agency with campuses in Frederick and Columbia. The school provides a free, comprehensive prekindergarten through grade 12 education to deaf students through a day program and a residential program. The school provides academic education similar to public schools with enhanced communication skills training, vocational education, and rehabilitation programs. Students enroll in one of three curricular tracks. The Essential Curriculum students follow the Frederick County Public Schools Essential Curriculum. The Enhanced Program of Services supports students who have multiple disabilities, are medically fragile, or are developmentally disabled. The Family Education/Early Intervention Program provides services for families of children age five or younger in developing early language skills, including American Sign Language. The Maryland School for the Deaf is governed by a 19-member board of trustees appointed by the Governor with the advice and consent of the Maryland Senate. As of October 2013, 431 students were enrolled at the Maryland School for the Deaf campuses.

Residential Boarding Education Program (The SEED School of Maryland)

Chapter 397 of 2006 established a public residential boarding school for at-risk youth that is operated under the supervision of the Maryland State Department of

Education. At-risk youth include economically disadvantaged students, students with disabilities, or students with records of family issues or school difficulties. The department contracted in July 2007 with a nonprofit organization, the SEED Foundation, which also operates a similar school in Washington, DC, to operate the school beginning with the 2008-2009 school year. The initial contract was valid for a term of six years, and is currently subject to renewal every five years based on the foundation's success in meeting specified performance benchmarks and reporting requirements. The school must provide at-risk students with a remedial curriculum for middle school students and a college preparatory curriculum for high school students. Students may apply to the program from any school system in the State. Students who are selected for participation through a lottery system may continue to live at and attend the school through high school graduation. As of October 2013, 401 students were enrolled in the SEED School.

The SEED School is governed by a 25-member board of trustees established in State law. Five members are appointed by the Governor with the advice of the State Superintendent and the advice and consent of the Senate. Twenty members are appointed in accordance with the charter and bylaws of the Residential Boarding Education Program.

Department of Juvenile Services Facilities

Chapter 53 of 2003 was enacted to reform the juvenile services system in Maryland and required the Maryland State Department of Education to assume control over the educational programming at the Charles H. Hickey, Jr. School. Responsibility for the educational programming at facilities operated by the Department of Juvenile Services was expanded under Chapter 535 of 2004, which required the Maryland State Department of Education to provide educational services in all of the residential facilities by July 1, 2014. By July 1, 2013, a year before the deadline, the Maryland State Department of Education had assumed control of all 14 educational programs, including the Hickey School, the Lower Eastern Shore Children's Center, the Baltimore City Juvenile Justice Center, the DeWitt Carter Center, the Victor Cullen Center, and the Western Maryland Children's Center. During 2012-2013, an average of 318 students were served per day, with a total enrollment of 5,064 students in juvenile services education programs.

Local Governance

The local boards of education in the counties, which includes Baltimore City, implement the public education laws, regulations, and policies of the State Board of Education.

Local Boards of Education

In general, the local school boards and the local superintendents appointed by the boards control educational matters and policymaking within the school districts and oversee the day-to-day operation of public schools. The school boards are not agencies or departments of county or State government; however, they are quasi-State agencies and are considered State agencies for some purposes and units of county government for other purposes stipulated in State law. While the State Board of Education has the “last word on any matter concerning educational policy or the administration of the system of public education” (*Board of Education of Prince George’s County v. Waeldner*, 298 Md. 354, 360 (1984)), the local school boards have relative autonomy in the management of the schools.

Membership

The composition of the local boards of education varies, with 5 to 14 members serving three- to five-year terms. Seventeen counties have elected school boards, three counties have school boards that are appointed or jointly appointed by the Governor, and four counties have combined elected and appointed boards, including several unique arrangements. Twenty-two boards have student members, but only seven boards allow student members to vote on matters excluding collective bargaining and other personnel and budgetary decisions. Exhibit 2.2 shows the selection methods, terms of office, and membership of the 24 local school boards.

Exhibit 2.2 Local Boards of Education

School System	Number of Members	Term		Means of Selection ¹
Allegany	6	4 years	E	5 from county at large 1 student (nonvoting, one-year term)
Anne Arundel ²	9	5 years	A	3 from county at large 5 from legislative districts 1 student (one-year term)
Baltimore City ³	10	3 years	A	9 from city at large 1 student (one-year term)
Baltimore ⁴	12	5 years	A/E	4 appointed from county at large 7 elected from councilmanic districts 1 student (one-year term)
Calvert	6	4 years	E	2 from county at large 3 from commissioner districts 1 student (nonvoting, one-year term)
Caroline	7	4 years	A/E	3 elected from school board districts 2 appointed from county at large 2 students (nonvoting, one-year term)
Carroll	11	4 years	E	5 from county at large 5 commissioners <i>ex officio</i> (nonvoting) 1 student (nonvoting, one-year term)
Cecil	6	4 years	E	5 from commissioner districts 1 student (nonvoting, one-year term)
Charles	8	4 years	E	7 from county at large 1 student (nonvoting, one-year term)
Dorchester	7	4 years	E	5 from council districts 2 students (nonvoting, one-year term)
Frederick	8	4 years	E	7 from county at large 1 student (nonvoting, one year term)
Garrett	6	4 years	E	2 from county at large 3 from commissioner districts 1 student (nonvoting, one-year term)

Exhibit 2.2 Continued

School System	Number of Members	Term		Means of Selection ¹
Harford	11	4 years	A/E	6 elected from council districts 3 appointed from county at large 1 superintendent <i>ex officio</i> (nonvoting) 1 student (one-year term)
Howard	8	4 years	E	7 from county at large 1 student (one-year term)
Kent	6	4 years	E	5 from county at large 1 student (nonvoting, one-year term)
Montgomery	8	4 years	E	2 from county at large 5 from school districts 1 student (one-year term)
Prince George's ⁵	14	4 years	A/E	9 elected from school board districts 4 appointed by county 1 student (one-year term)
Queen Anne's	7	4 years	E	1 from county at large 4 from commissioner districts 2 students (nonvoting, one-year term)
St. Mary's	6	4 years	E	1 from county at large 4 from commissioner districts 1 student (nonvoting, one-year term)
Somerset	5	4 years	E	All from commissioner districts
Talbot	8	4 years	E	7 from school board districts 1 student (nonvoting, one-year term)
Washington ⁶	8	4 years	E	7 from county at large 1 student (nonvoting, one-year term)
Wicomico	7	5 years	A	All from county at large
Worcester	10	4 years	E	7 from commissioner districts 3 students (nonvoting, one-year term)

¹A = Appointed by Governor, except in Baltimore City, where board is appointed jointly by the Governor and the Mayor; E = Elected; and A/E = Combined appointed by Governor and elected board, except in Prince George’s County.

²There are three steps to being appointed and retained as a member of the Anne Arundel County Board of Education. First, the School Board Nominating Commission selects nominees who are recommended to the Governor as candidates for appointment to the Anne Arundel County Board of Education. The commission consists of 11 members – 5 appointed by the Governor from each of the legislative districts, 1 appointed by the County Executive, and 5 appointed from various county organizations. A board member begins serving immediately upon appointment; however, the board member must stand for “approval or rejection of the registered voters of the county” at the next general election. The board member is placed on the ballot, without opposition. If the voters retain the board member, he or she may complete the remainder of the 5-year term. If the voters reject the board member, the position becomes vacant and the process begins again. Chapters 177 and 178 of 2011, as well as an Opinion of the Attorney General (98 Op. Att’y Gen. 51 (May 22, 2013)), clarify that this three-step process applies not only to newly appointed board members, but also to incumbent board members seeking a second term.

³The nonstudent members of the Baltimore City Board of School Commissioners of the Baltimore City Public School System are jointly appointed by the Mayor of Baltimore City and the Governor from a list of qualified individuals submitted by the State Board of Education. Each member must be a resident of Baltimore City, and the membership must reflect the demographic diversity of Baltimore City.

⁴Chapter 481 of 2014 established the Baltimore County Nominating Commission. The commission is responsible for selecting 8 nominees to be recommended to the Governor as qualified candidates for appointment to the Baltimore County Board of Education. The commission consists of 19 members of the county and must reflect the diversity of the county. Except in extenuating circumstances, the Governor must appoint members to the board of education from the list the nominating commission provides.

⁵Chapter 147 of 2013 altered the membership of the Prince George’s County Board of Education by adding four appointed members to the existing elected board. The county executive appoints three members with certain experience requirements, and the county council appoints one member who must be a parent of a student in the county school system. If a seat held by an elected member becomes vacant, the county executive must appoint a qualified individual for the remainder of the term, with the appointment subject to rejection by a two-thirds vote of the county council.

⁶The Washington County Board of Education reports that the student member can only concur on votes and must abstain from certain matters.

Source: Annotated Code of Maryland, Education Article, Sections 3-101 through 3-1405; Local Boards of Education

Budget Process

Although local school boards are independent governmental units, they rely on county governments for a significant portion of their funding. School boards must submit their budget requests to the county governing body. The budget submission includes revenues and expenditures by major category, as established by State law and the State Board of Education. The county governing body reviews, modifies, and approves the

budget. Any reductions are made by major category. In jurisdictions with a county executive, the executive reviews the budget first and then submits it to the county council. With the exception of Baltimore County, the council may restore any reductions made by the county executive to the proposed school board budget. Once a county has approved its annual appropriation to the local school system, the appropriation may not be reduced mid-year.

After approval of the budget, transfers between major expenditure categories must be submitted in writing and approved by the county. Nonlocal funds received by the school board after the adoption of the budget require notification of and approval by the county government.

Each local superintendent of schools must also provide annual financial reports to the State and the local governing body detailing the financial status of the system. Failure to provide timely financial reports requires the Maryland State Department of Education to withhold 10% of the next installment of State aid to the local school system.

Charter Schools

The Maryland Public Charter School Program was enacted in 2003 to enable public school staff, parents of public school students, nonsectarian nonprofit entities, and nonsectarian institutions of higher education to apply to a local board of education to establish a public charter school. The schools must be nonsectarian and open to all students in the local school system on a space-available basis. The professional staff of a charter school must hold appropriate certification, and they have the same rights as other public school employees in that jurisdiction with respect to employee organizations. If a collective bargaining agreement is already in existence in the county where a public charter school is located, the employee organization and the public charter school may mutually agree to negotiate amendments to the existing agreement to address the needs of the particular public charter school. Under State law, charter schools may not charge tuition; instead, they receive public funds on a per pupil basis commensurate with the amount of funds disbursed to other public schools in the school systems in which they operate. Charter schools must comply with the laws, regulations, and policies that govern other public schools, although waivers from some rules may be requested through an appeal to the State Board of Education.

In Maryland, local boards of education have primary chartering authority and the State Board of Education has secondary chartering authority when acting in its appeal review capacity or as the public chartering authority for a restructured school; however, the State Board of Education has never exercised this authority. An application to establish a public charter school must be submitted to the local board of education in the jurisdiction

in which the charter school will be located. If the local board denies the application, the applicant can appeal the decision to the State Board of Education.

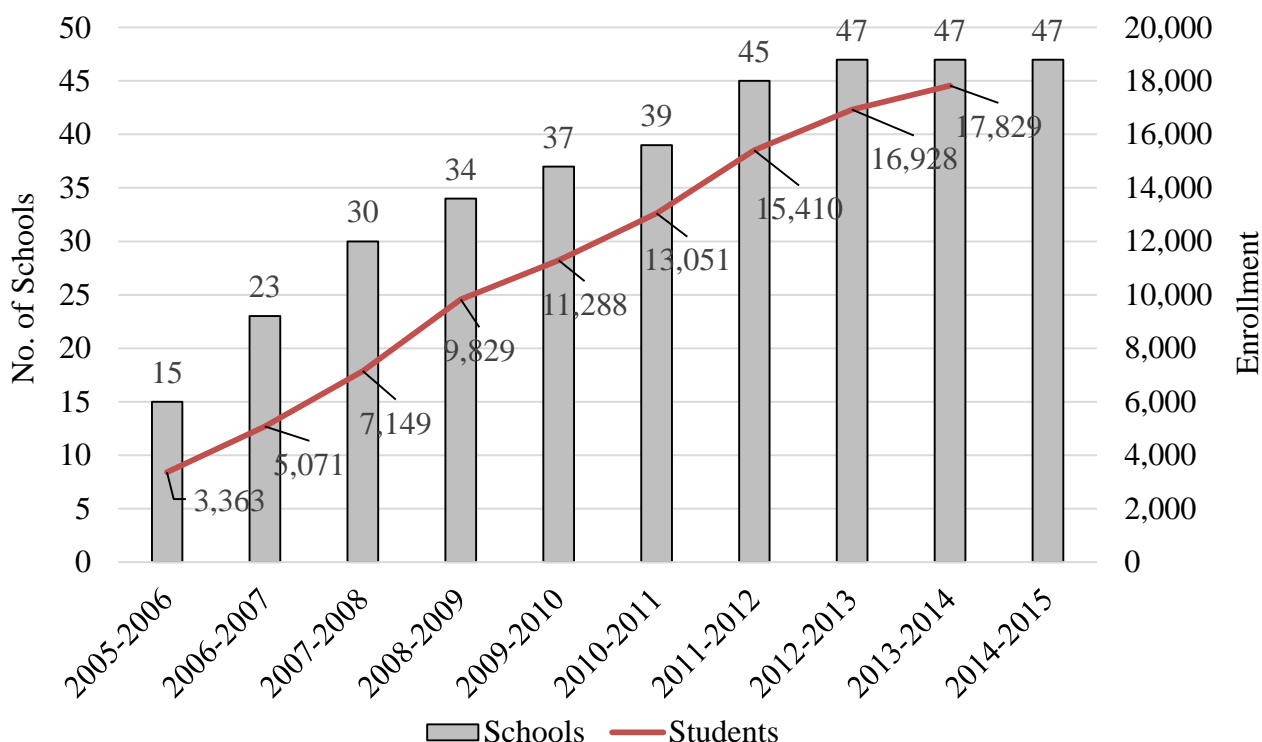
Public charter schools in Maryland do not receive separate State facilities aid; however, if a Maryland public charter school is located in a public school building owned by the local board of education, the public charter school is eligible to receive State funding if the project is included in the school system's capital improvement program and is approved by the county governing body and the Board of Public Works under the State's Public School Construction Program. Funding for capital costs at a public charter school is not included in the per pupil amount that each local school board is required to disburse to public charter schools in the district. In order to pay for capital expenses, a public charter school must either use a portion of the funds it receives for operational expenses or use funds from other sources.

The Maryland Public Charter School Program has grown from serving 3,363 students during the 2005-2006 school year, the first year in which charter schools were operational in accordance with the law, to serving 17,839 students during the 2013-2014 school year. Further, despite some closures along the way, the number of charter schools has grown from 15 charter schools during the 2005-2006 school year to 47 charter schools during the 2014-2015 school year. However, it is worth noting that despite the continued growth in enrollment, the net number of charter schools (47) has been stagnant since the 2012-2013 school year. Exhibit 2.3 shows the number of charter schools in the State and the number of students served by charter schools over the course of the past 10 years.

Although nine different counties have had at least one charter school at some point over the last 10 years, the vast majority of charter schools have been located in Baltimore City. For the 2014-2015 school year, charter schools are located in: Baltimore City (31); Anne Arundel County (2); Frederick County (3); Prince George's County (10); and St. Mary's County (1).

The closure of charter schools may occur for many different reasons. In Maryland, charter schools have closed due to failure to meet a mission; financial reasons, including the inability to sustain finances; operational reasons; poor academic performance; and the inability to sustain enrollment. Further, in some instances, charter schools have opted not to renew their contracts without giving a reason. Finally, some charter schools have merged with other public schools, effectuating a closure of the charter school.

Exhibit 2.3
Charter Schools in Maryland
2005-2006 School Year to 2014-2015 School Year



Note: Data does not include transformation schools in Baltimore City Public Schools. Enrollment figures for the 2014-2015 school year are not available.

Source: Maryland State Department of Education

Students and Schools

Under State law, until the 2015-2016 school year, every child from age 5 through 15 must attend a public school or receive regular, thorough instruction during the school year in studies usually taught in the public schools to children of the same age. Beginning with the 2015-2016 school year, students must stay in school until they are 16 years old, and beginning with the 2017-2018 school year, students must stay in school until they are 17 years old unless they have graduated or otherwise completed high school. Costs of implementing this phased-in requirement, enacted by Chapter 494 of 2012, could be significant due to higher student enrollment counts resulting from the retention of students who would otherwise drop out of school. State education aid is expected to increase by approximately \$35 million in fiscal 2018 as a result of raising the age for compulsory

attendance and by roughly twice that amount by fiscal 2020, when the effects of raising the age will be fully phased in.

Individuals age 5 through 20 choosing to attend a Maryland public school must be admitted free of charge. As of September 2013, approximately 837,000 full-time equivalent students were enrolled in local public schools (kindergarten through grade 12). Exhibit 2.4 shows that public school enrollments ranged from 1,995 full-time equivalent students in Kent County to 147,532 in Montgomery County. In addition to the State's public school students, 128,211 kindergarten through grade 12 students were enrolled in private schools in September 2013. Prekindergarten enrollment and services are discussed in Chapter 1 of this volume.

Public schools must be open at least 180 days over a 10-month period and must provide at least 1,080 hours of instruction for elementary and middle schools and 1,170 hours for high schools. As of the 2013-2014 school year, there were 1,448 public schools throughout the State, including the SEED School of Maryland: 791 elementary schools; 395 middle schools and high schools; 92 combined schools; and 170 other nontraditional public schools such as vocational technical schools, charter schools, special education centers, alternative centers, and other programs. An additional 1,425 nonpublic schools served students in the 2013-2014 school year.

Education Content Standards

Public primary and secondary education programs are provided almost exclusively by the 24 local school systems, but the State plays an important role in education by setting uniform standards for schools and students and holding schools and students accountable for the achievement of State standards. Since the enactment of the No Child Left Behind Act of 2001, the federal government has played a larger role in education policy.

Exhibit 2.4
Public School Data
2013-2014 School Year

County	K-12 Enrollment¹	Number of Public Schools
Allegany	8,349	26
Anne Arundel	76,351	121
Baltimore City	80,146	190 ²
Baltimore	104,603	173
Calvert	15,865	26
Caroline	5,235	10
Carroll	25,959	47
Cecil	15,105	29
Charles	25,534	37
Dorchester	4,513	13
Frederick	39,538	67
Garrett	3,786	12
Harford	37,072	54
Howard	51,723	75
Kent	1,995	7
Montgomery	147,532	207
Prince George's	119,608	209
Queen Anne's	7,473	14
St. Mary's	16,906	29
Somerset	2,728	9
Talbot	4,299	8
Washington	21,986	46
Wicomico	14,405	25
Worcester	6,265	14
Total	836,976	1,448

¹Enrollment is the head count enrollment count from September 30, 2013, including the SEED School.

²This number includes the SEED School.

Source: Department of Legislative Services; *Maryland Public School Enrollment/Ethnicity and Gender and Number of Schools*, Maryland State Department of Education

Race to the Top

In 2009, President Obama established the federal Race to the Top competitive grant program to encourage states to adopt specific educational reforms, including adopting the Common Core State Standards, administering new assessments aligned with the Common Core State Standards, and tying teacher and principal evaluations to performance and specifically student growth on the new assessments. Maryland was 1 of 18 states and the District of Columbia that was awarded a grant; the State received \$250 million in August 2010. As the states have moved to implement Race to the Top initiatives, the U.S. Department of Education has offered states flexibility from several of the No Child Left Behind requirements and continues to use the Flexibility Waivers as a tool to encourage states to implement reforms in exchange for federal education funding.

Maryland College- and Career-Ready Standards

Recognizing that the economic success of individuals and of the nation depends in part on the strength of the educational system, a nationally unified movement was started to attempt to eliminate the wide variation in knowledge and skill expectations across the states. The Common Core State Standards were created through a state-level initiative coordinated by the National Governors Association and the Council of Chief State School Officers in collaboration with education stakeholders from across the country. Forty-five states and the District of Columbia initially adopted these standards, which are a set of academic standards in two subject areas, English language arts and mathematics, that define the knowledge and skills all students should master by the end of each grade level. The standards require students and teachers to focus on fewer topics and concepts while emphasizing depth, detail, and critical thinking skills. Maryland was one of the first states to adopt these standards in June 2010, and has since worked to design a State curriculum, the Maryland College- and Career-Ready Standards, which align with the Common Core State Standards. Beginning with the 2013-2014 school year, the Maryland College- and Career-Ready Standards were fully implemented in Maryland schools.

The Maryland State Department of Education had previously developed, and the State Board of Education had approved, a statewide curriculum or State standards that define what students should know and be able to do in the subject areas of fine arts, social studies, health, world languages, English language learners, school library media, financial literacy, environmental education, technology education, and physical education. For some of these curricula the standards, indicators, and objectives are written grade-by-grade, while others are written in three grade bands consisting of third through fifth grade, sixth through eighth grade, and ninth through twelfth grade. The State curriculum was cooperatively developed with the input of educators from public schools, colleges, and universities across the State, including content specialists, supervisors, and administrators.

Final review of the curriculum was performed by outside content experts who benchmarked it against curricula from other states and countries. For the curriculum in science, which includes engineering practices, the State board adopted the Next Generation Science Standards in June 2013.

Mathematics Course Requirement

In addition to the Maryland College- and Career-Ready Standards, the College and Career Readiness and College Completion Act of 2013 established further requirements for mathematics. Beginning with the ninth grade class of the 2014-2015 school year, each student is required to enroll in a mathematics course during each year that the student attends high school. It is the law's goal that all students achieve mathematics competency in at least Algebra II by the time they graduate. Regulations published by the State Board of Education identify mathematics courses that will satisfy the four-year requirement as Algebra II, Pre-calculus, Discrete Mathematics, Linear Algebra, Probability and Statistics, AP Computer Science (or a computer science course that is not AP if the local school system determines that the course meets other specified requirements), and AP Calculus. These regulations also require each local school system to align its mathematics curriculum with the Maryland College- and Career-Ready Standards. For further information regarding the Act, see Chapter 7 of this volume.

Assessment and Accountability

Title I of the Elementary and Secondary Education Act of 1965, which was most recently reauthorized in 2001 as the No Child Left Behind Act, requires that all students be assessed annually and that students receive an individual score in reading and mathematics in grades 3 through 8 and at least once in high school. Although Maryland had used statewide student assessments to measure the performance of its schools since 1993, the Maryland School Assessments were created and implemented in response to No Child Left Behind to measure performance in reading and mathematics in grades 3 through 8 and science in grades 5 and 8. The Maryland High School Assessments were also created and implemented as a graduation requirement.

To fulfill federal and State reporting requirements, the Maryland State Department of Education maintains a website, www.mdreportcard.org, to report outcome measures for all students and for 10 student subgroups: American Indian/Alaskan Native, Asian, Black/African American, Hispanic/Latino, Native Hawaiian/Pacific Islander, White, two or more races, special education students, limited English-proficient students, and students receiving free or reduced-price meals. No Child Left Behind requires results to be disaggregated in an effort to determine the extent of the variations in performance among different student groups.

In addition to accountability through State assessments, the State also requires local school systems to develop and implement comprehensive master plans. The plans and subsequent annual updates to the plans must identify the strategies that will be used to improve the academic performance of all students, methods for measuring progress, and timelines for implementation. The State Superintendent of Schools is required to review each comprehensive master plan to make certain that it includes all of the required components and that the articulated strategies are aligned with the school system's budget and will improve student performance across all student populations. The master plans were required as part of the Bridge to Excellence in Public Schools Act (Chapter 288 of 2002), which restructured and enhanced State funding for local school systems. Under Chapter 406 of 2009, later amended by Chapter 466 of 2012, new plans are required to be submitted by school systems in 2015, followed by annual updates by all school systems that encompass a rolling five-year period.

Statutory Assessment Requirements

Generally the State board determines appropriate student assessment requirements. However, Chapter 476 of 2012 requires the State Board of Education and the State Superintendent of Schools to implement assessment programs in reading, language, mathematics, science, and social studies that include written responses beginning with the 2014-2015 school year. At the middle school level, the assessment program must be a statewide, comprehensive, grade band program that measures the learning gains of each public school student toward achieving mastery of the standards set forth in the State's adopted curricula. At the high school level, the assessment program must be a statewide, standardized, end-of-course assessment that is aligned with and that measures each public school student's skills and knowledge of the State's adopted curricula.

After the 2014-2015 school year, the State Board of Education must determine whether the assessments at the middle school and high school levels adequately measure the skills and knowledge set forth in the State's adopted curricula for the core content areas of reading, language, mathematics, science, and social studies. If the State Board of Education determines that an assessment does not adequately measure the skills and knowledge set forth in the State's adopted curricula for a core content area, the State Department of Education must develop a State-specific assessment in that core content area to be implemented in the 2016-2017 school year.

Partnership for Assessment of Readiness for College and Careers

With the adoption and implementation of the Maryland College- and Career-Ready Standards, Maryland required a new assessment system that can measure the content and skills found in the new curriculum. Federal Race to the Top funding was awarded to

two state-run consortiums to develop new assessments aligned with the Common Core State Standards. In spring 2010, Maryland joined the Partnership for Assessment of Readiness for College and Careers (known as PARCC), a consortium of 13 states (as of November 2014) working to develop a common set of assessments aligned to the Common Core State Standards for English/Language Arts and mathematics. Then, in November 2013, Maryland was asked to manage the federal grant for the consortium and serve as its fiscal agent in place of Florida beginning on January 1, 2014.

The Partnership for Assessment of Readiness for College and Careers assessments will measure student progress and track status on a trajectory toward college and career readiness. The goal for the assessments is to be entirely computer-based in order to provide more timely feedback to educators to be used to target or improve instruction during the school year. The assessments will have two parts: a midyear performance-based assessment and an end-of-year assessment. Field testing of the assessments began in most partnership states in spring 2014, and in Maryland nearly every school field tested either the paper-based or computer-based assessment in at least one classroom. Full implementation of Partnership for Assessment of Readiness for College and Careers assessments is planned for the 2014-2015 school year.

The Partnership for Assessment of Readiness for College and Careers assessment is intended to replace the reading and mathematics Maryland School Assessment, although the science Maryland School Assessment will continue to be given in grades 5 and 8 until the Next Generation Science Assessment is developed. The Partnership for Assessment of Readiness for College and Careers assessment is also intended to replace some of the Maryland High School Assessments. The Government High School Assessment will continue to be required for graduation, and the Biology High School Assessment will be replaced with the Next Generation Science Assessment when it is completed.

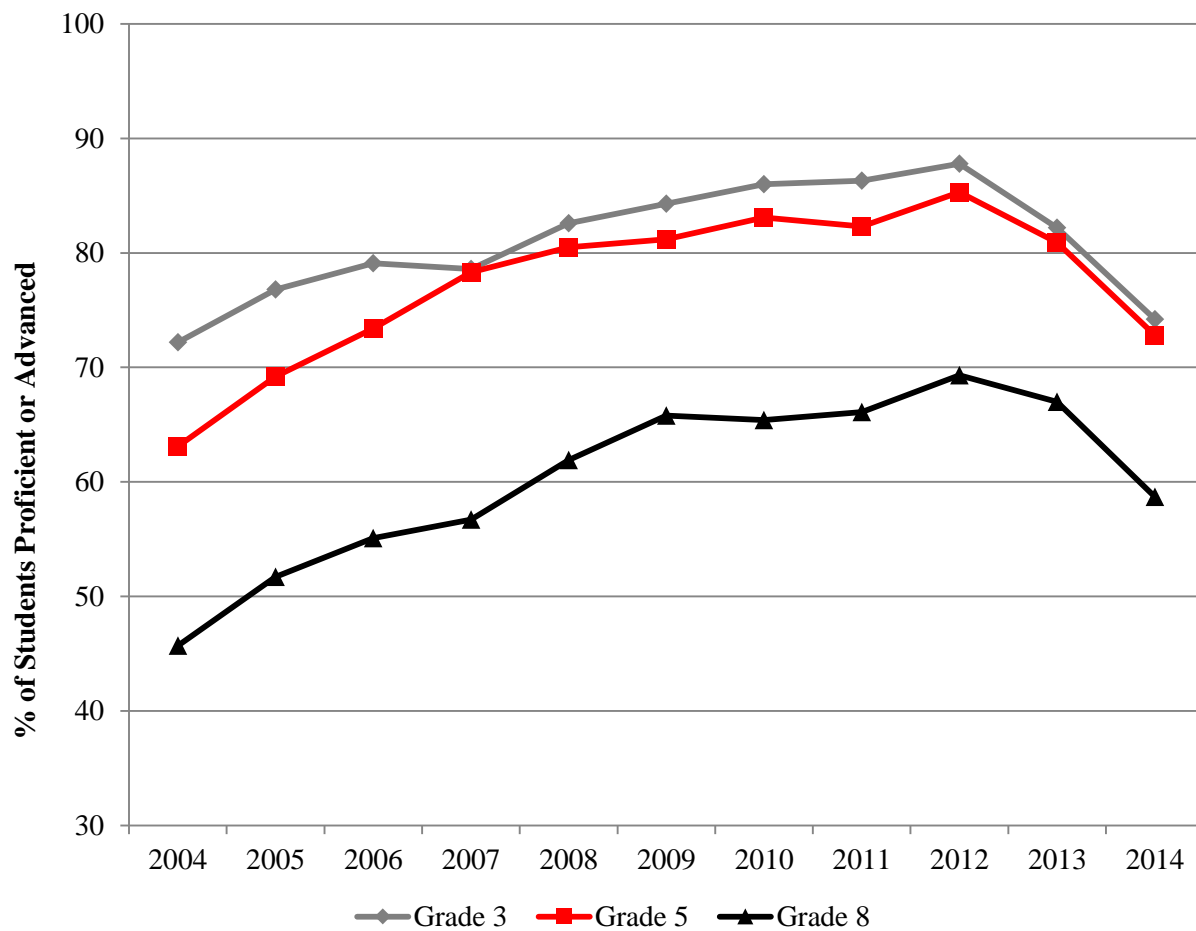
In order to foster a smooth transition to new assessments, the Maryland State Department of Education has implemented a Partnership for Assessment of Readiness for College and Careers Transition Committee to address the concurrent implementation of Partnership for Assessment of Readiness for College and Careers and the phasing out of the Maryland School Assessment and the High School Assessments. One of the transition committee's key tasks is preparing a public communication plan to describe the implementation of Partnership for Assessment of Readiness for College and Careers, the phase-out of the High School Assessments, the anticipated score results and implications of the new assessments, and the college- and career-ready cut scores.

Student Performance Measured by the Maryland School Assessment

Between 2004 and 2012, student achievement steadily improved statewide in mathematics and reading as measured by the Maryland School Assessments. In 2013 and 2014, however, after the implementation of the Maryland College- and Career-Ready Standards, the assessments were no longer aligned to the curriculum standards. Exhibit 2.5 illustrates the performance trend of the Maryland School Assessment mathematics scores in grades 3, 5, and 8 over the past 11 years, and Exhibit 2.6 illustrates the trend in reading scores over the same time period.

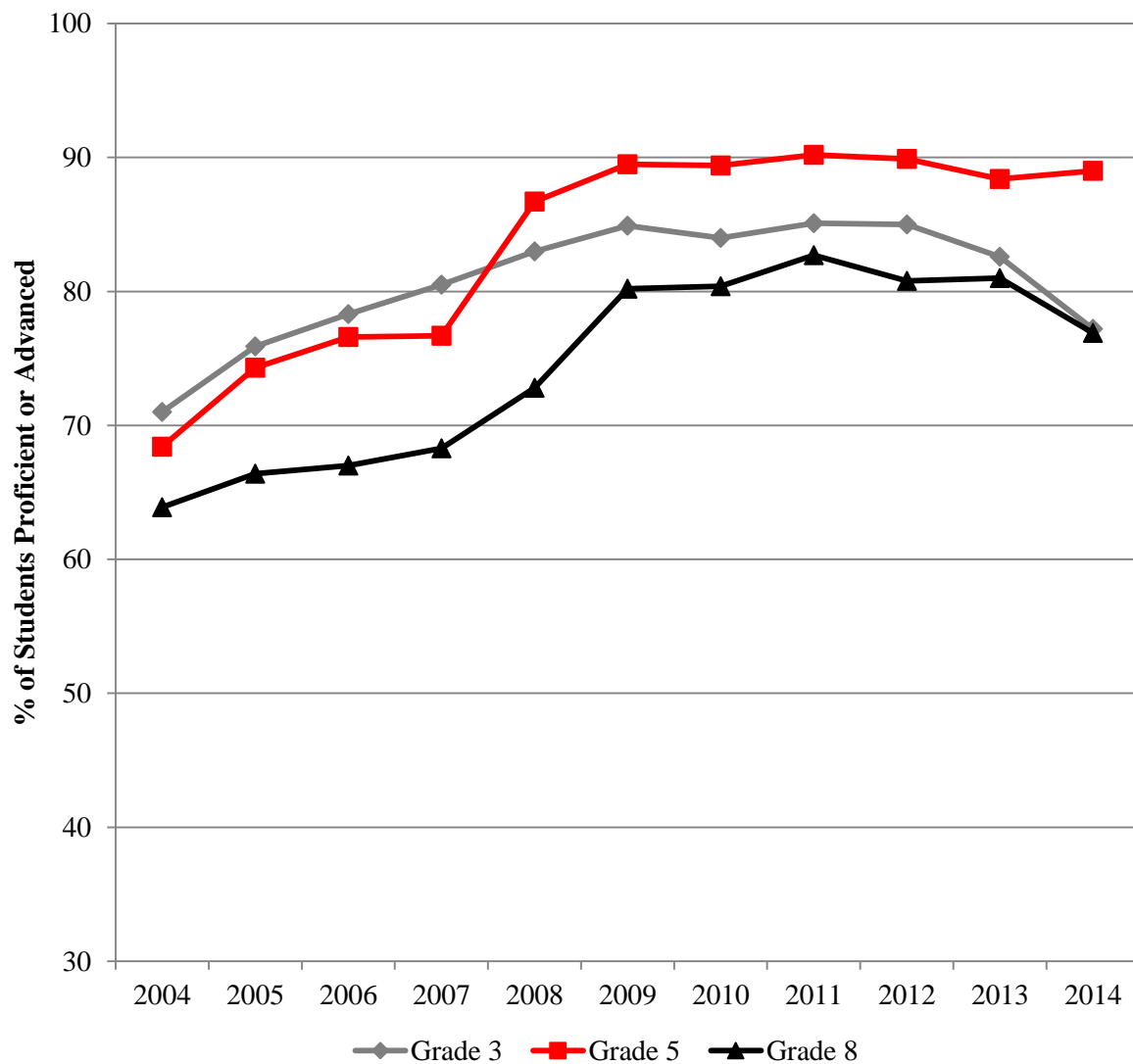
In 2013, the first year in which the assessment was not aligned, for the mathematics Maryland School Assessment results in grades 3, 5, and 8, the rates range from a low of 67% proficient or advanced in grade 8 to a high of 82.2% proficient or advanced in grade 3. In 2014, the second year in which the assessment was not aligned and the last year of administering the Maryland School Assessments, the rates range from a low of 58.7% proficient or advanced in grade 8 to a high of 74.2% in grade 3. In 2013, for the reading Maryland School Assessments, the rates range from a low of 81.0% proficient or advanced in grade 8 to a high of 88.4% proficient or advanced in grade 5. In 2014, the rates range from a low of 76.9% proficient or advanced in grade 8 to a high of 89% in grade 5. Unlike the other scores, grade 5 reading was the only category to increase in 2014. Despite being aligned with the Maryland College- and Career-Ready Standards, initial Partnership for Assessment of Readiness for College and Careers scores are also expected to be low since the partnership assessments are more rigorous and are tied to college and career readiness.

Exhibit 2.5
Maryland School Assessments for Mathematics
Percent of Students Scoring Proficient or Advanced
2004-2014



Source: *The Maryland Report Card* found at www.mdreportcard.org

Exhibit 2.6
Maryland School Assessments for Reading
Percent of Students Scoring Proficient or Advanced
2004-2014



Source: *The Maryland Report Card* found at www.mdreportcard.org

High School Student Performance and Graduation

Due to the transition to Partnership for Assessment of Readiness for College and Careers assessments in English and mathematics, the 2013-2014 school year is the last year students are expected to take the High School Assessments in those subjects. The High School Assessments consist of four tests designed by the State Department of Education to measure school and individual student core academic performance in English, algebra, biology, and government. Students take each test after they complete the course, including middle school students taking high school-level courses. By State board policy, students entering ninth grade in 2005 or later are required to achieve satisfactory scores on the High School Assessments or achieve a minimum combined score in order to earn a Maryland high school diploma. A student who is unable to meet this standard must instead participate in the Bridge Plan for Academic Validation. The Bridge Plan consists of department-designed modules in the Maryland High School Assessment content areas. The local school system assigns the qualifying student the appropriate content area modules, and a local review panel scores the completed modules. The local superintendent either accepts or rejects the panel's score recommendation. A student may appeal the local superintendent's decision.

Exhibit 2.7 shows the High School Assessments' pass rates for 2013 and the overall graduation rates for each of the 24 local school systems. The pass rates range from a low of 67.4% in Baltimore City to a high of 95% in Calvert, Carroll, Charles, Frederick, Garrett, Harford, Howard, Queen Anne's, and Washington counties, with a statewide pass rate of 89.9%. Pass rates below 100% do not indicate that students did not graduate, since nearly all twelfth-grade students who did not pass the High School Assessments successfully completed subject-based Bridge Plan projects instead. Looking specifically at graduation, Baltimore City had the lowest graduation rate at 77.2%, and Carroll County had the highest rate at 95%. The statewide graduation rate was 87.4%.

Exhibit 2.7
Percent of Students Passing the High School Assessments
and Graduating from High School
2013

School System	High School Assessment Pass Rate*	Graduation Rate
Allegany	86.2%	91.7%
Anne Arundel	93.8%	86.6%
Baltimore City	67.4%	77.2%
Baltimore	90.3%	85.9%
Calvert	95.0%	93.1%
Caroline	93.3%	83.4%
Carroll	95.0%	95.0%
Cecil	94.9%	85.6%
Charles	95.0%	92.4%
Dorchester	81.2%	88.5%
Frederick	95.0%	94.7%
Garrett	95.0%	94.9%
Harford	95.0%	89.9%
Howard	95.0%	94.2%
Kent	75.6%	87.6%
Montgomery	94.1%	91.9%
Prince George's	78.1%	78.8%
Queen Anne's	95.0%	93.9%
St. Mary's	93.3%	88.9%
Somerset	82.8%	83.6%
Talbot	90.1%	90.8%
Washington	95.0%	91.8%
Wicomico	88.3%	80.9%
Worcester	93.8%	91.7%
Total State	89.9%	87.4%

*The assessment pass rate is the percent of students taking all four tests (English, algebra, biology, and government) and either passing all four tests or meeting the combined score option.

Note: The graduation rate is calculated by dividing the number of high school graduates by the sum of the graduates and the number of students who dropped out during grades 9 through 12. This method is referred to as the "leaver rate." Federal law also requires the Maryland State Department of Education to report the "adjusted cohort" graduation rate, but that is not reported here.

Source: *The Maryland Report Card* found at www.mdreportcard.org

Waivers from the Federal Elementary and Secondary Education Act

The federal No Child Left Behind Act, the most recent reauthorization of the Elementary and Secondary Education Act of 1965, requires every state to meet certain annual benchmarks. A school that fails to meet the requirements of No Child Left Behind may be subject to strict penalties for noncompliance. Due to the strict penalties of No Child Left Behind, the U.S. Department of Education offered states an opportunity to apply for waivers from certain provisions of No Child Left Behind (flexibility waivers). In order to receive a flexibility waiver, states must outline their plans to improve educational outcomes for all students, close achievement gaps, increase equity, and improve the quality of instruction. A flexibility waiver applies to 10 No Child Left Behind requirements and up to 3 optional requirements that a state chooses.

Maryland received a flexibility waiver in 2012 for the 2012-2013 and the 2013-2014 school years for schools to achieve certain benchmarks; however, they still must achieve other academic benchmarks. According to the Maryland State Department of Education, the flexibility of the waiver allowed the State and its local education agencies to focus on implementing the Maryland College- and Career-Ready Standards; transition to the Partnership for Assessment of Readiness for College and Careers assessments; provide support, recognition, and intervention to all Maryland public schools; and develop a teacher and principal evaluation system that incorporates student growth, measured by assessments, as a major component.

In February 2013, Maryland was granted an amendment to its flexibility waiver to allow the Partnership for Assessment of Readiness for College and Careers field test to meet the federal assessment requirements for an annual assessment. Otherwise, students participating in the field test would also have had to take the Maryland School Assessment in the same subject, which would have resulted in double-testing of those students. Absent a waiver, Maryland could have been found out of compliance with federal law and risked losing all or a portion of the approximately \$280.9 million in federal Title I and other federal funds received in 2012-2013.

Maryland requested an extension of its flexibility waiver for the 2014-2015 school year, which was granted by the U.S. Department of Education in July 2014; however, the federal agency has said further waivers will require entirely new waiver requests to be submitted for approval in spring 2015. Legislation enacted in 2014 (Chapter 630) requires waiver requests to be submitted to the Legislative Policy Committee for review and comment at least 30 days before the request is submitted to the U.S. Department of Education.

Education of Students with Disabilities

Federal law requires states to provide a free appropriate public education to all students with disabilities through age 21 who are found to be in need of special education services. In order to meet the requirement, the education programs for disabled students must be designed to meet their individual needs and could include specially designed instruction in classrooms, at home, or in private or public settings. Examples of these services include speech, occupational, and physical therapy, psychological counseling, and medical diagnostic services that are necessary to a child's education. Teachers of students with disabilities are required to be trained in the instruction of disabled students. Services begin as soon as the child can benefit from them, regardless of whether the child is of school age.

Approximately 103,000 full-time equivalent students ages 3 to 21 years old were enrolled in special education programs for the 2013-2014 school year. Most of these students attended local public or State schools. If required services are not available through the public schools, however, students are placed in appropriate nonpublic programs. Of the students ages 3 to 21 years old receiving special education services during the 2013-2014 school year, 3,498, or about 3.4%, attended nonpublic schools.

Division of Rehabilitation Services

The Maryland State Department of Education assists individuals in need of rehabilitation services through the Division of Rehabilitation Services with the goal of preparing the program participants for entry or reentry into the workforce. The Division of Rehabilitation Services provides policy direction, administrative support, eligibility determination for federal disability benefits, and rehabilitation services at the Maryland Workforce and Technology Center and 24 offices statewide. Clients, typically age 16 to 65, who have been referred by schools or health care professionals, receive vocational evaluation, occupational skills training, medical evaluation and treatment, occupational therapy, physical therapy, and rehabilitation technology services. Additional support services include addiction counseling, academic remediation, driver's evaluation and education, job-seeking skills training, and job placement. In fiscal 2013, the division provided services to nearly 26,000 individuals and assisted approximately 2,500 individuals with disabilities achieve gainful employment.

Postsecondary Preparation and Adult and Correctional Education

The Maryland State Department of Education also assists individuals as they prepare for careers and postsecondary education. The Division of Career and College Readiness in the Maryland State Department of Education distributes funds for career and

technology education programs with specific training programs in secondary schools, community colleges, State agencies, and other institutions and businesses. In partnership with statewide industry advisory groups, the department has identified 10 career clusters that represent core business functions in Maryland, such as health and biosciences, information technology, and hospitality and tourism. Business partners also identified multiple career pathways within each cluster. Students can explore a wide range of career options within each cluster and apply academic and technical skills to a career area.

Prior to fiscal 2010, Maryland's adult education, literacy services, and correctional institutions education programs were the responsibility of the Maryland State Department of Education. Chapter 134 of 2008 transferred these programs to the Department of Labor, Licensing, and Regulation, since it was already responsible for other workforce development programs. Education programs for adults are provided in all 24 counties and all the major correctional institutions in the adult prison system. Programs include adult basic education, adult secondary education (including General Education Diploma), occupational preparatory programs, and library services. For further information on adult, correctional, and workforce development education, see Chapter 14 of *Volume II – Government Services in Maryland* of the Legislative Handbook Series.

School Personnel

The 24 local school systems employed 114,498 full-time equivalent personnel during the 2012-2013 school year. As shown in Exhibit 2.8, 72,104 teachers and instructional aides accounted for about 63% of this total.

Exhibit 2.8
Staff Employed by Maryland Public School Systems
2012-2013 School Year

<u>Category</u>	<u>Number of Staff</u>	<u>% of Total Staff</u>
Administrators ¹	5,802	5.1%
Teachers ²	59,425	52.0%
Support Professionals ³	6,572	6.0%
Instructional Aides	12,679	11.1%
Support Staff ⁴	26,090	22.7%
Total	114,498	100.0%

¹Includes superintendents, principals, vice principals, directors, supervisors, and other school administrators.

²Includes therapists.

³Includes staff developers, teacher trainers, athletic coaches, remedial specialists, other school-level instructional professionals, and media, guidance, and psychology personnel.

⁴Includes technicians, service workers, secretaries and clerks, drivers, crafts and trades, laborers, noninstructional aides, nurses, admissions officers, research specialists, etc.

Note: Numbers do not sum to the reported total of 114,498 due to rounding of full-time equivalent positions.

Source: *Full Time Equivalent Staff Maryland Public Schools: 2012-2013, The Fact Book: 2012-2013*, Maryland State Department of Education

Certification

The Maryland State Department of Education oversees the certification of teachers, principals, and other school personnel and evaluates and approves higher education programs that educate and prepare teachers and other certified school personnel, in collaboration with the Professional Standards and Teacher Education Board. In order to ensure teacher quality and that students are being taught by qualified, competent teachers, the Maryland State Department of Education is also responsible for State approval and national accreditation for all professional educator certification programs in Maryland's colleges and universities.

The federal No Child Left Behind Act requires that all teachers of core academic subjects be highly qualified. Core academic subjects include English, mathematics, reading or language arts, science, foreign languages, civics and government, economics, arts, history, and geography. To be highly qualified, a teacher must have at least a

bachelor's degree, hold a license to teach in the State, have obtained full State certification, and have subject matter expertise. Schools are required by federal law to annually report on the number of nonhighly qualified teachers. During the 2012-2013 school year, just 6.2% of core classes in the State were not taught by highly qualified teachers.

Professional Standards and Teacher Education Board

The Professional Standards and Teacher Education Board was established by regulation in 1971 and codified in 1991. It is a semi-autonomous board that is composed of 25 members, including public and nonpublic classroom teachers, employee organization representatives, teacher education faculty members, school system superintendents, principals, administrators, local board of education members, members of the general public, and the State Superintendent of Schools or a designee. Members are appointed by the Governor and serve three-year terms. The board shares authority with the State Board of Education to develop rules and regulations for the certification of teachers, social workers employed by a local school employer, and other professional education personnel, and to develop requirements and accreditation for the preparation of teachers and other education personnel.

Teacher and Principal Evaluations

Chapter 189 of 2010, the Education Reform Act, enhanced accountability measures for teachers and principals by requiring annual performance evaluations for nontenured certificated teachers and principals that include student growth as a significant component. A Maryland Council for Educator Effectiveness was appointed in summer 2010 to recommend specific policies for implementation of the Act. The law also added a third probationary year before teachers may receive tenure.

Each local education agency is responsible for evaluating its certified teachers and principals. The Teacher Principal Evaluation initiative is a major reform of the teacher and principal evaluation system in the State. It is the result of the requirements of the Education Reform Act of 2010 (Chapter 189), the Elementary and Secondary Education Act Flexibility Waiver, and the Maryland Race to the Top Grant Application. Pursuant to these requirements, the State Board of Education adopted general standards for performance evaluations of certified teachers and principals for a local education agency-established evaluation system and Default Model State Performance Evaluation Criteria for local education agencies that do not reach an agreement with the exclusive employee representative of that jurisdiction for a local education agency evaluation system. All local school boards that signed the Race to the Top application (22 school systems excluding

Frederick and Montgomery counties) are required to base 50% of an evaluation on student growth.

Beginning with the 2013-2014 school year, the State Board of Education regulations require that a local education agency's teacher and principal evaluation system meet the minimum general standards set forth in the regulations. The general standards require at least two classroom observations (for teachers), claims and evidence that substantiate observed behavior, a professional development component, a mentoring component for ineffective-rated teachers and nontenured teachers, and a measure of student growth that is a significant factor in the overall rating and is based on multiple measures. An evaluation must have a written report that is presented to the evaluated teacher or principal, a space for written comments by the evaluated teacher or principal, and a process for appealing a final rating and report.

The Default Model State Performance Evaluation Criteria specifically address criteria for student growth and professional practice. The student growth component will count for 50% of an evaluation, may not be based solely on an existing or newly created exam, and must be based on multiple measures, such as aggregate class growth scores and student learning objectives and the schoolwide performance index. The professional practice component will also count for 50% of an evaluation. For teachers, this component includes planning and preparation, classroom environment, instruction, and professional responsibility. For principals, the professional practice component will include the outcomes in the Maryland Instructional Leadership Framework, which is comprised of eight domains: (1) school vision; (2) school culture; (3) curriculum, instruction, and assessment; (4) observation/evaluation of teachers; (5) integration of appropriate assessments; (6) use of technology and data; (7) professional development; and (8) stakeholder engagement. The professional practice component also includes outcomes developed by the Interstate School Leaders and Licensure Consortium, including (1) school operations and budget; (2) effective communication; (3) influence on the school community; and (4) integrity, fairness, and ethics.

Due to the challenges experienced by students and teachers transitioning to the new State education standards, curriculum, and standards-aligned assessments and the new teacher and principal evaluation systems, in March 2014, the Maryland State Department of Education filed an amendment to the Elementary and Secondary Education Act Flexibility Waiver with the U.S. Department of Education to extend the provisions of the waiver through the end of the 2014-2015 school year. The amendment also requested approval of changes made to the Model State Performance Evaluation Criteria, including elimination of the schoolwide performance index from the student growth component, and an allowance for not using State-test associated measures in making personnel decisions based on the new evaluation system for specified years. Although Maryland was granted

a waiver extension in July 2014, the amendments related to teacher and principal evaluations were not approved. The U.S. Department of Education indicated that the changes will be considered when Maryland submits a new waiver request in spring 2015 for the school years beginning with 2015-2016. In further recognition of the challenges of these transitions, Chapters 544 and 545 of 2014 were enacted to prohibit certified teacher and principal performance evaluation criteria from using student growth data based on State assessments to make personnel decisions before the 2016-2017 school year.

Tenure

The Education Reform Act of 2010 made significant changes to the tenure period for certified employees. The initial probationary period of employment for new certified employees in a local school system increased to three years. Each employee is issued a one-year contract with the county board of education and is required to be evaluated annually on professional practice and student growth during each year of the employee's probationary period. If a nontenured employee is found to be *not* on track for tenure at any formal evaluation point, the employee must promptly be assigned a mentor to provide comprehensive guidance and instruction and be provided with additional professional development. Tenured employees are evaluated annually on a three-year cycle based on the most recent available student growth data only if they receive a rating of effective or highly effective on their most recent full evaluation; otherwise they are also evaluated annually on professional practice.

Certified employees who achieve tenure in one jurisdiction in the State and move to a different jurisdiction may retain tenure after a one-year probationary employment period in the new jurisdiction. To retain tenure, the employee's performance evaluation must be rated satisfactory or higher, and there may not be a break in employment services between the two systems any longer than one year. The new jurisdiction may extend the initial probationary period for an additional year if the employee does not qualify for tenure due to a nonsatisfactory rating on the employee's performance evaluation and the employee demonstrates strong potential for improvement. Finally, the State Department of Education is required to align professional development requirements with the new three-year probationary period.

Collective Bargaining

Collective bargaining with local employee organizations is an important function of the local boards of education for certificated and noncertified employees of the local boards. Under State law the boards and the employee organizations that are designated the exclusive representative of each bargaining unit in each school system *must* negotiate all matters that relate to salaries, wages, hours, service or representation fees, and other

working conditions and *may* negotiate other matters that are mutually agreed to by the applicable board and employee organization. However, the school calendar, the maximum class size, and any other matter addressed in statute may *not* be the subject of negotiations.

Public School Labor Relations Board

Prior to July 1, 2010, the State Board of Education decided all controversies and disputes regarding public elementary and secondary education, including disputes between local boards of education and the local employee organizations representing school system personnel. Chapters 324 and 325 of 2010 moved responsibility for deciding school system labor disputes to the Public School Labor Relations Board until June 30, 2015. Chapters 368 and 370 of 2014 repealed the 2015 termination date, effectively making the board permanent.

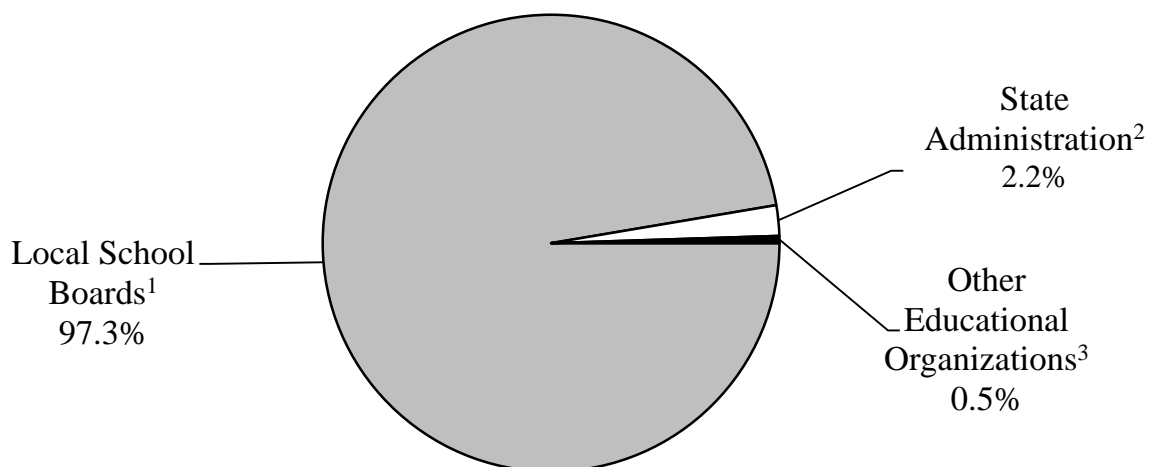
The board consists of five members appointed by the Governor with the advice and consent of the Senate, including two chosen from a list provided by employee organizations and two chosen from a list provided by the Maryland Association of Boards of Education and the Public School Superintendents Association of Maryland. The fifth board member represents the public, must have experience in labor relations, and may not be an active member of a labor union. A board member must take an oath of office and may be removed by the Governor for incompetence or misconduct.

The legislation also altered the collective bargaining process by setting up a new process for impasse resolution that includes mediation by a neutral mediator and, if necessary, arbitration by the Public School Labor Relations Board. If the county government does not approve sufficient funds to implement a negotiated agreement, the local school board must negotiate with the employee organization before making a final determination as to matters that have been the subject of negotiation in accordance with a timetable and procedure established by the Public School Labor Relations Board. The revamped system also specifically authorizes appeals to circuit courts of any decisions of the board.

Chapter 3. Primary and Secondary Education – Funding

Financial support for public schools in Maryland is a shared State and local responsibility, with the federal government also playing an important role. As shown in Exhibit 3.1, operating funding for primary and secondary education totaled an estimated \$12.2 billion in fiscal 2013, with over 97%, or \$11.9 billion, supporting the local school systems.

Exhibit 3.1
Total Operating Funding for Primary and Secondary Education
Fiscal 2013



Total Funding = \$12.2 Billion

¹Local school board funding includes investment earnings and other unidentified revenues generated by the local school systems.

²State Administration funding includes expenditures for Interagency Committee for School Construction and State Department of Education headquarters operations and programs, excluding rehabilitation services, library services, adult learning, and correctional education. The figure also excludes funding for early education administration and programs with the exception of publicly funded prekindergarten programs, which are included with local school board funding.

³Other Educational Organizations include funding for the School for the Blind (including enhanced services), Blind Industries and Services of Maryland, the School for the Deaf, other educational institutions, and aid to nonpublic schools. School for the Blind revenues include private gifts, investment income, and tuition.

Note: Total funding includes funding from local, State, federal, and other sources. Reimbursable funds are not included.

Source: Local School System Audited Financial Statements, Fiscal 2013; Maryland State Department of Education; *Fiscal 2015 State Budget Books*; Maryland School for the Blind; Department of Legislative Services

In addition to funding for local boards of education, \$263.6 million, or 2.2%, supported statewide administration of primary and secondary education services provided by the Maryland State Department of Education in fiscal 2013. This amount includes \$1.6 million that supported the administration of the Interagency Committee on School Construction. Of the \$263.6 million total, 61.2%, or \$161.5 million, was supported with federal funds. The remaining amount, \$102.2 million, or 38.8%, was supported with State funds.

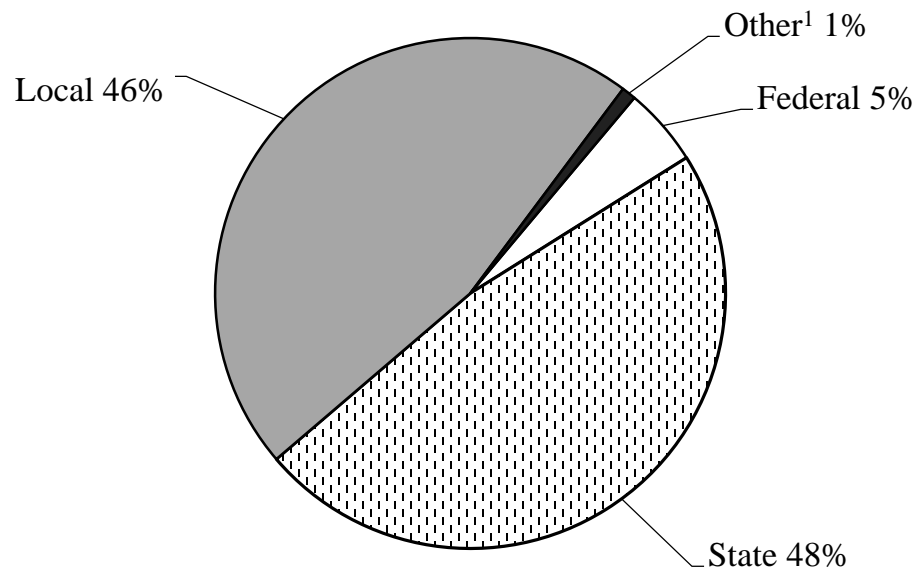
The State also funded some organizations and programs that, although not State agencies, make contributions to education in the State. The funding for State-aided educational organizations totaled approximately \$33.6 million in fiscal 2013. State appropriations for these organizations totaled \$30.5 million, with most of the funding, \$21.5 million, going to the Maryland School for the Blind. In addition, the Maryland School for the Deaf was appropriated a total of \$28.4 million, including \$0.5 million in federal funds.

Federal, State, and Local Shares of Public School Funding

Since nearly all of the primary and secondary education funding goes to local school systems, Exhibit 3.2 shows the fiscal 2013 shares of federal, State, local, and other funding for Maryland public schools. The exhibit displays total funding to local school boards, which increased from approximately \$7.2 billion in fiscal 2002 to \$11.9 billion in fiscal 2013. State and local shares of funding are nearly equal for the State as a whole, at 48% and 46%, respectively. This is a shift from fiscal 2002, when the State share was less than the local share. Federal funds make up 5% of the total in fiscal 2013, with other revenues contributing 1%.

There is significant variation in funding shares among the 24 local school systems. Exhibit 3.3 shows total per pupil funding for each school system and the share provided by each of the four funding sources. The exhibit shows a wide range of funding patterns, with schools in Howard, Montgomery, Talbot, and Worcester counties getting more than 60% of their funding from local sources and schools in Baltimore City and Allegany, Caroline, Somerset, and Wicomico counties getting more than 75% of their funding from a combination of State and federal funds. The majority of federal funding is provided according to the needs of each local school system, as measured by economically disadvantaged and disabled student counts. Most State funding is provided inverse to local wealth, and school systems with greater needs and higher costs also get additional State aid. Local funding is a function of local wealth and local effort, discussed further later in this chapter under the “County Funding of Local School Systems” heading. Together, the sources provided Maryland public school systems with an average of \$14,326 per student in fiscal 2013, ranging from \$11,827 per student in Queen Anne’s County to \$17,027 per student in Worcester County.

Exhibit 3.2
Sources of Funding for Local School Boards
Fiscal 2013



Total Funding = \$11.9 Billion

¹Other funding includes investment earnings and other unidentified revenues generated by the local school systems.

Note: Total includes funding for publicly funded prekindergarten for four-year-olds operated by local school boards. State funds include proceeds from gaming dedicated to the Education Trust Fund.

Source: Local School Board Audited Financial Statements, Fiscal 2013; Maryland State Department of Education; Department of Legislative Services

Exhibit 3.3
Per Pupil Funding and Sources of Funding
Fiscal 2013

County	Funding	Federal	State	Local	Other
Allegany	\$14,441	8%	67%	24%	1%
Anne Arundel	13,262	4%	37%	58%	0%
Baltimore City	16,625	11%	70%	18%	1%
Baltimore	13,712	5%	45%	49%	2%
Calvert	13,610	3%	45%	51%	1%
Caroline	12,919	7%	72%	20%	2%
Carroll	13,130	3%	46%	49%	1%
Cecil	12,520	5%	57%	37%	0%
Charles	13,525	4%	51%	44%	1%
Dorchester	13,458	8%	59%	30%	3%
Frederick	12,913	3%	49%	47%	1%
Garrett	14,083	8%	45%	47%	0%
Harford	13,149	0%	49%	50%	1%
Howard	15,310	2%	35%	62%	1%
Kent	15,391	8%	36%	56%	1%
Montgomery	15,416	3%	33%	64%	0%
Prince George's	14,645	6%	57%	36%	1%
Queen Anne's	11,827	0%	45%	54%	1%
St. Mary's	12,944	6%	50%	40%	5%
Somerset	14,486	11%	64%	24%	1%
Talbot	12,415	5%	28%	66%	1%
Washington	12,802	5%	61%	33%	0%
Wicomico	12,872	8%	70%	21%	0%
Worcester	17,027	6%	23%	70%	0%
State	\$14,326	5%	48%	46%	1%

Note: Figure includes State funding for retirement and excludes State funding for the Aging Schools Program, libraries, and early childhood programs (*i.e.*, Infants and Toddlers, Head Start, and Judy Hoyer Program).

Source: Local School System Audited Financial Statements, Fiscal 2013; Maryland State Department of Education

Overview of Maryland's School Finance System and Adequacy Model

The State's financing of public schools changed considerably beginning in fiscal 2004 with the implementation of new funding formulas established by Chapter 288 of 2002, the Bridge to Excellence in Public Schools Act. The financing structure that was

established by the legislation is based on the concept of “adequacy” – an empirical estimate of the amount of funding that schools and school systems would need in order to obtain the resources they need to reasonably expect that students can meet the State’s academic performance standards. In order to estimate how much funding would constitute adequacy in Maryland, a study was conducted by a private consultant. Using the results of the adequacy study, a model of adequacy was adopted by the Commission on Education Finance, Equity, and Excellence and was then used to develop the legislation that eventually became the Bridge to Excellence Act.

The adequacy model contains three components. The first is a uniform base cost per pupil that is necessary to provide general education services to students in every school system. The second component of adequacy involves adjustments for the additional costs associated with educating three at-risk student populations: special education students, students eligible for free and reduced-price meals, and students with limited English proficiency. The third component of adequacy is an adjustment that accounts for differences in the local costs of educational resources.

The new education funding formulas based on adequacy were phased in over five years, reaching full implementation in fiscal 2008. From fiscal 2002 to 2008, State aid increased 79%. As will be discussed in greater detail in the rest of this chapter, the formulas are adjusted each year based on enrollment, local wealth, and other factors, including inflation in some cases.

As a result of the adjustments for at-risk student populations and cost of education differences, adequate funding measured on a per pupil basis varies among the 24 local school systems. With the ultimate goal of ensuring that all school systems meet State performance standards, the aim of the State’s public school financing system is to provide each school system with a roughly equivalent opportunity to reach its adequate funding objective with a combination of State, local, and federal resources. Exhibit 3.4 shows the adequacy targets for each local school system and the estimated amount of revenue each received for adequacy-related programs in fiscal 2013. The exhibit shows that 13 school systems reached their funding targets that year. This compares to 16 school systems that met their targets in fiscal 2009, the first year after the new formulas were fully implemented.

One reason that 11 school systems did not reach their per pupil adequacy target in fiscal 2013 is that during the fiscal crisis brought on by the 2007-2009 recession, the State limited inflationary increases in the formulas as part of cost containment efforts to balance the State budget. Other reasons will vary by school system related to local funding, federal funding, and enrollment and demographic needs.

Exhibit 3.4
Per Pupil Adequacy Targets and Estimated Revenues
Fiscal 2013

County	Adequacy Target¹	Estimated Revenues²	Amount Short of Target
Allegany	\$13,973	\$14,441	\$0
Anne Arundel	12,449	13,262	0
Baltimore City	18,578	16,625	1,952
Baltimore	14,029	13,712	317
Calvert	11,433	13,610	0
Caroline	14,808	12,919	1,889
Carroll	11,160	13,130	0
Cecil	13,134	12,520	614
Charles	12,251	13,525	0
Dorchester	14,591	13,458	1,132
Frederick	12,043	12,913	0
Garrett	12,864	14,083	0
Harford	12,067	13,149	0
Howard	11,207	15,310	0
Kent	14,357	15,391	0
Montgomery	13,912	15,416	0
Prince George's	16,598	14,645	1,953
Queen Anne's	12,045	11,827	218
St. Mary's	12,074	12,944	0
Somerset	15,940	14,486	1,454
Talbot	12,883	12,415	468
Washington	13,228	12,802	426
Wicomico	14,298	12,872	1,425
Worcester	13,083	17,027	0

¹Adequacy does not include costs associated with capital expenditures, debt service, transportation, and food service. Per pupil target was calculated using the original adequacy targets for fiscal 2008 inflated annually by a statutory inflation adjustment: the lesser of the Consumer Price Index for All Urban Consumers, the Implicit Price Deflator, or 5% (which was capped at 1% in fiscal 2013 to 2015).

²Estimated revenues include State funding for retirement, and exclude State funding for the Aging Schools Program, libraries, and early childhood programs (*i.e.*, Infants and Toddlers, Head Start, and Judy Hoyer Program).

Source: Local School System Audited Financial Statements, Fiscal 2013; Department of Legislative Services

Chapter 288 required a follow-up study of the adequacy of education funding to be undertaken approximately 10 years later. The Budget Reconciliation and Financing Act of 2011 required the study to be conducted in phases, with the first phase beginning no later than June 30, 2014, and the final phase being completed by December 1, 2016. The legislation also required the study to incorporate standards from the common core curriculum adopted by the State Board of Education and two years of results from the common core assessments, known as the Partnership for Assessment of Readiness for College and Career (PARCC) assessments, which are discussed in Chapter 2. A consultant was hired by the State Department of Education, in collaboration with the Department of Legislative Services and the Department of Budget and Management, in June 2014 and the adequacy study is underway. Several reports are due in 2014 and 2015 before the study is completed in 2016. As the current State education aid formulas are based on the original adequacy cost study and other analyses, future changes to the funding formulas could be based on the information from the new adequacy study.

State Aid for Local School Systems

The Bridge to Excellence in Public Schools Act of 2002 increased the State's financial support for public schools significantly, especially during the phase-in of the Act through fiscal 2008. State education aid increased from \$2.9 billion in fiscal 2002 to \$5.1 billion in fiscal 2008, as shown in Exhibit 3.5. This represents an increase of 79.0% in State support for public education. Since fiscal 2008, State aid has increased more modestly, growing \$888 million, or 17.0%. Even so, State aid will grow at an average annual increase of 5.9% from fiscal 2002 to 2015, outpacing the 4.1% average rate of general fund revenue growth expected over the same 13-year period.

The Bridge to Excellence Act also simplified the State's school financing structure by eliminating a large number of small categorical aid programs. The vast majority of State aid is now distributed to local school systems through formulas that are based primarily on student enrollments (including enrollments of three student populations that are at-risk of falling behind academically) and local wealth. These formulas mimic the adequacy concept by ensuring a minimum per pupil funding level, providing additional funding based on enrollments of at-risk students, and granting additional aid to school systems with higher educational resource costs.

In addition to State aid programs designed to meet the instructional needs associated with the adequacy concept, another major category of school system expenses supports functional programs such as student transportation, food service, and school construction. These functions, while essential to school system operations, were not addressed in the adequacy study. Therefore, State aid programs that support these other school system functions continue in tandem with the formulas that address the instructional needs of the general student population and at-risk student populations.

Exhibit 3.5
Total State Aid for Education
Fiscal 2002-2015
(\$ in Millions)

	<u>Fiscal</u>	<u>State Education Aid¹</u>	<u>\$ Change from Prior Year</u>	<u>% Change from Prior Year</u>
	2002	\$2,874		
Bridge to Excellence Phase-in Years	2003	3,103	\$229	8.0%
	2004	3,292	189	6.1%
	2005	3,606	314	9.6%
	2006	3,990	384	10.6%
	2007	4,456	466	11.7%
	2008	5,147	691	15.5%
	2009	5,355	208	4.0%
	2010	5,484	128	2.4%
	2011	5,692	209	3.8%
	2012	5,751	59	1.0%
	2013	5,814	62	1.1%
	2014	5,903	90	1.5%
	2015 ²	6,035	132	2.2%

¹State aid figures include federal stimulus funds used to support education aid programs and excludes funding for early education programs operated by local school systems (Judy Hoyer, Infants and Toddlers, Head Start, and Healthy Families), except publicly funded prekindergarten programs operated by the local school systems.

²Excludes \$4.3 million for the Prekindergarten Expansion Grant discussed in Chapter 1.

Note: Figures are total State aid for public schools, including retirement.

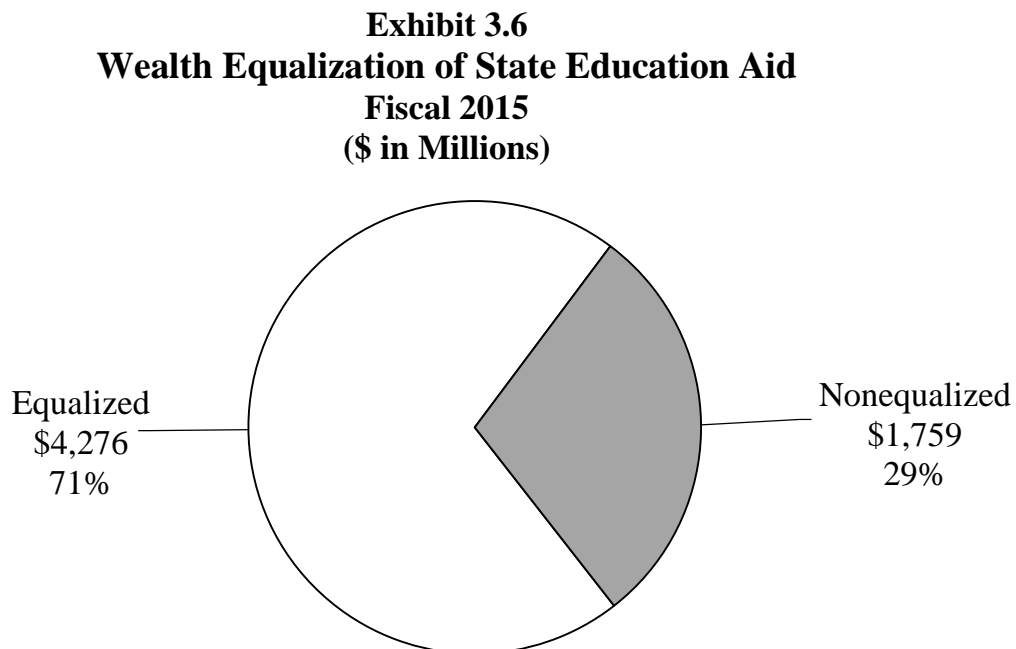
Source: Department of Legislative Services

In addition to enhancing and simplifying State support for public education, the Bridge to Excellence Act also modified the focus of education aid. One of the findings of the Commission on Education Finance, Equity, and Excellence was that school systems in the less wealthy areas and school systems with higher proportions of at-risk students would need the most new revenue in order to meet the funding targets identified by the commission. For this reason, the commission recommended increases in the percentages of aid going to less wealthy jurisdictions and school systems that have high enrollments of at-risk students. The Bridge to Excellence Act succeeded in adjusting the distribution of State aid to reflect both of these recommendations.

Wealth Equalization

Because funding public education is a shared State and local responsibility, part of the State’s constitutional responsibility to provide a “thorough and efficient system of free public schools” involves offsetting the disparities in taxable wealth among the counties. If all 24 counties made the same education tax effort (*i.e.*, contributed the same proportions of their taxable wealth to public education), local per pupil appropriations would vary due to relatively wide discrepancies in local wealth per pupil. The State aid structure compensates for these differences by providing less aid per pupil to the more wealthy jurisdictions and more aid per pupil to the less wealthy jurisdictions through a number of “wealth-equalized” funding formulas. Although on the whole most State aid formulas are designed to have the State pay roughly one-half of program costs, the State’s share for the less wealthy jurisdictions is higher than 50%, and the State’s share for more wealthy jurisdictions is lower than 50%.

Exhibit 3.6 shows the amount of State aid that is wealth-equalized for fiscal 2015. Equalized aid is \$4.3 billion, or nearly three-quarters of the total, while nonequalized aid is \$1.8 billion, or 29%.



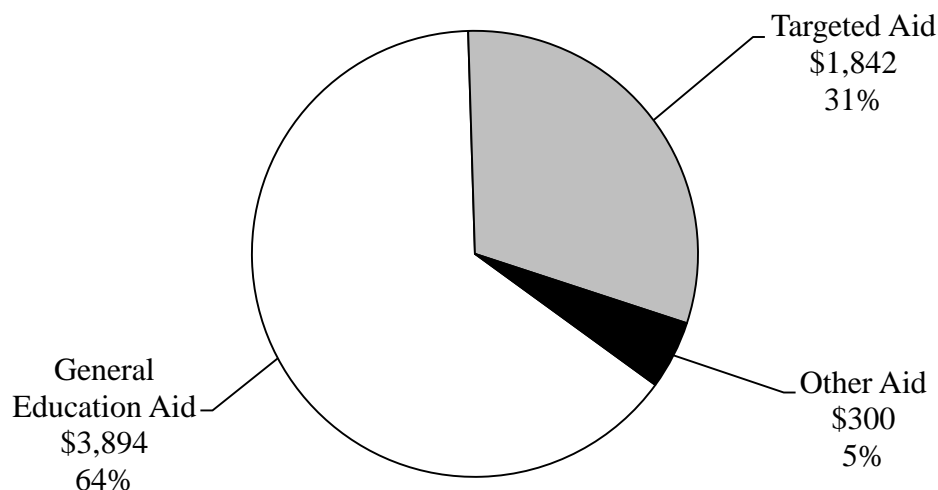
Source: Department of Legislative Services

Categories of State Education Aid

One of the longstanding goals of Maryland's education financing structure has been to recognize the additional resource needs associated with serving at-risk students and to provide greater funding to school systems with large percentages of special education, economically disadvantaged, and limited English proficient students. With the completion of the adequacy study for the Commission on Education Finance, Equity, and Excellence, the State had an estimate of the costs of the needed additional resources for the first time. Using the estimates, the Bridge to Excellence legislation directed a significant portion of the new funds being added to the finance system to targeted aid programs.

Exhibit 3.7 shows fiscal 2015 State education aid separated into general education aid, targeted aid, and other aid categories. The majority of State education funding falls into the general education category, comprising 64% of the total in fiscal 2015. Targeted aid was 31% for 2015, as compared to 19% in 2002 and 28% in 2011, which demonstrates the emphasis on targeting added resources to school systems with larger proportions of at-risk students. The smallest category of State aid is devoted to other programs, such as transportation, and comprises 5% of aid in fiscal 2015.

Exhibit 3.7
Categories of State Education Aid
Fiscal 2015
(\$ in Millions)



Source: Department of Legislative Services

Fiscal 2015 funding by these categories for each local school system is shown in Exhibit 3.8. With the exception of the teachers' retirement program, funding for the general education category is mostly driven by total student enrollment and local wealth; State aid in the targeted category is generally based on local enrollments of at-risk students and local wealth; and State support for other programs is partly a function of the number of students in each school system but also includes specialized grant funding with unique purposes. These three categories of State education aid are discussed individually in the sections that follow.

Exhibit 3.8
2015 State Education Aid by County
 (\$ in Thousands)

County	General Education	Targeted Aid	Other	Total
Allegany	\$51,503	\$27,182	\$5,036	\$83,721
Anne Arundel	271,819	95,672	23,775	391,266
Baltimore City	538,656	417,313	23,460	979,428
Baltimore	452,409	193,793	31,740	677,941
Calvert	74,067	15,461	5,901	95,429
Caroline	31,810	17,797	2,972	52,579
Carroll	119,805	24,666	10,276	154,747
Cecil	77,820	29,869	5,614	113,304
Charles	132,850	38,501	11,137	182,488
Dorchester	25,095	12,626	2,785	40,506
Frederick	196,619	54,256	13,216	264,091
Garrett	14,080	5,757	3,347	23,184
Harford	167,027	51,871	13,536	232,434
Howard	215,769	44,868	17,421	278,058
Kent	5,676	3,573	1,762	11,011
Montgomery	499,239	234,100	42,663	776,002
Prince George's	663,680	389,489	44,262	1,097,432
Queen Anne's	27,624	7,677	3,533	38,834
St. Mary's	81,547	21,352	7,309	110,207
Somerset	17,111	11,499	2,613	31,223
Talbot	8,128	6,215	1,930	16,273
Washington	122,299	51,409	7,915	181,623
Wicomico	85,337	48,882	5,944	140,163
Worcester	13,300	9,353	3,242	25,895
Unallocated	400	28,918	8,294	37,612
Statewide	\$3,893,670	\$1,842,102	\$299,681	\$6,035,452

Note: Numbers may not sum to totals due to rounding.

Source: Department of Legislative Services

General Education Aid Programs

General education State aid programs are designed to provide a minimum level of operating support for all students. Within the adequacy framework, this funding would be used to provide the basic resources needed to operate any school system, such as central administrators, principals, teachers, textbooks, and classroom equipment. The cornerstone State aid program is the foundation program. In addition to the foundation program, the following are also included as general education: geographic cost of education index, supplemental grants, teachers' retirement, net taxable income, guaranteed tax base, and other smaller programs. Each is discussed below. Exhibit 3.9 shows fiscal 2015 funding for general education programs.

Foundation Program

The foundation program is the major State aid program for public schools, accounting for nearly half of State education aid. For each school system, a formula determines the State and local shares of a minimum per pupil funding level, or "foundation." For fiscal 2015, the per pupil foundation amount is \$6,860.

The total cost of the foundation program, which equals the per pupil foundation amount times the full-time equivalent student enrollment count, is shared equally by the local governments and the State. However, as a wealth-equalized formula, the State provides more aid per pupil to school systems in the less wealthy jurisdictions and less aid per pupil to school systems in the more wealthy jurisdictions.

The State has used some type of base funding approach since 1922 to equalize funding and provide a minimum level of support for school systems. With the new emphasis on adequacy under the Bridge to Excellence Act, the per pupil funding level in the foundation program is based on an estimate of the amount of funding that is needed to provide resources sufficient for the "average" student (*i.e.*, one without any supplemental needs) to meet State standards. The adequate per pupil foundation amount is adjusted each year to reflect inflationary increases, although the State has limited inflationary increases in recent years due to budget constraints.

Computing State aid through the foundation program involves two steps. In the first step, a per pupil foundation level is identified. Then, through the wealth equalization formula, the State and local shares of the foundation are calculated. The determination of the foundation level and the distribution of State aid are both specified in statute.

Exhibit 3.9
Funding for General Education Programs
Fiscal 2015
(\$ in Thousands)

County	Foundation Program	Geographic Cost Index	Supplemental Grants	Teachers' Retirement	Net Taxable Income	Guaranteed Tax Base	Other General Education ¹	Total
Allegany	\$39,322	\$0	\$10	\$7,745	\$865	\$3,477	\$83	\$51,503
Anne Arundel	199,014	9,407	0	62,086	964	0	349	271,819
Baltimore City	387,797	22,863	18,311	70,191	0	39,427	67	538,656
Baltimore	357,702	5,727	0	86,392	0	0	2,587	452,409
Calvert	56,653	2,279	0	14,366	654	0	115	74,067
Caroline	25,116	0	967	4,320	445	866	97	31,810
Carroll	94,699	2,492	0	21,324	1,164	0	126	119,805
Cecil	62,872	0	49	13,047	1,225	569	57	77,820
Charles	104,972	3,502	0	21,862	2,342	0	172	132,850
Dorchester	19,243	0	1,322	3,685	377	402	66	25,095
Frederick	155,813	6,499	0	32,882	1,315	0	111	196,619
Garrett	8,885	0	1,201	3,169	274	0	550	14,080
Harford	135,734	0	0	29,358	1,669	0	265	167,027
Howard	153,606	5,313	0	56,072	389	0	389	215,769
Kent	2,415	137	1,003	1,881	0	0	241	5,676
Montgomery	310,457	34,394	0	153,961	0	0	427	499,239
Prince George's	494,571	39,277	20,506	94,880	10,890	3,348	209	663,680
Queen Anne's	20,985	564	0	5,670	274	0	132	27,624
St. Mary's	63,744	232	3,251	13,355	907	0	59	81,547
Somerset	12,974	0	0	2,553	278	1,144	162	17,111
Talbot	4,423	0	0	3,542	0	0	163	8,128
Washington	97,451	0	0	17,329	1,814	5,579	126	122,299
Wicomico	67,565	0	0	12,115	1,015	4,579	63	85,337
Worcester	6,430	0	0	6,790	0	0	80	13,300
Unallocated	0	0	0	0	0	0	400	400
Statewide	\$2,882,444	\$132,685	\$46,620	\$738,575	\$26,860	\$59,390	\$7,095	\$3,893,670

¹Other general education includes science and math initiatives, State grants to counties with declining enrollment, out-of-county living arrangements, and students living near county borders.

Note: Formula funding that reflects local wealth is based on September 1 net taxable income data except for the Net Taxable Income grant, which is based on November 1 data.

Source: Department of Legislative Services

Determining the Per Pupil Foundation Level: The Bridge to Excellence legislation required the target adequate foundation level to be phased in from fiscal 2004 to 2008. During the phase-in period, the target funding level increased with inflation, and the actual funding level increased on a set implementation schedule until it reached the full target funding level in fiscal 2008. Beginning in fiscal 2009, increases in the per pupil foundation amount were scheduled to be tied to inflation. However, due to State budget constraints, the per pupil foundation amount was frozen at the fiscal 2008 level for fiscal 2009 through 2012, and inflation was capped at 1% for fiscal 2013 through 2015. Beginning in fiscal 2016, the per pupil amount will be increased by the lesser of the Consumer Price Index for the Baltimore-Washington region, the implicit price deflator for State and local governments, or 5%.

Distribution: The calculation of the State and local shares of the minimum foundation for each of the 24 school systems is based on public school enrollment and county wealth. For purposes of the formula, the statute defines enrollment and wealth as follows.

- *Full-time equivalent enrollment* equals the total number of students enrolled in kindergarten through grade 12 plus the number of full-time equivalent students enrolled in evening high school programs. Full-time equivalent enrollment is calculated using a September 30 student count from the prior fiscal year.
- *Wealth* equals the sum of 40% of the real property assessable base, 50% of the personal property assessable base, and 100% of net taxable income. The property bases are determined as of July 1 of the previous fiscal year. Net taxable income is computed using data from September 1 of the second preceding calendar year. For more information on net taxable income, see the discussion of Net Taxable Income Education Grants later in this chapter.

Once full-time equivalent enrollment and wealth have been determined for each local jurisdiction and summed to produce State totals, a local contribution rate is calculated. The local contribution rate is a statewide “tax” rate representing the counties’ aggregate share of the foundation program divided by total county wealth. Specifically, the local contribution rate equals the total cost of the program (full-time equivalent enrollment times the per pupil foundation), multiplied by the overall local share of the foundation program (50%), and divided by total local wealth. Each county’s local share of the foundation program is calculated by multiplying the local contribution rate by the county’s wealth.

The State's share of the foundation program is calculated by subtracting the local share from the total program cost. The formula for State aid to a specific school system, therefore, is:

$$(\text{Per Pupil Foundation} \times \text{Local Enrollment}) - (\text{Local Contribution Rate} \times \text{Local Wealth})$$

For a very wealthy county, this calculation could result in an aid figure that is less than \$0; however, each school system is guaranteed a minimum State share of 15% of the program cost for the foundation program. Exhibit 3.10 shows the calculation of foundation program variables, and Exhibit 3.11 shows the fiscal 2015 distribution of \$2.9 billion in State aid under the foundation program using the variables from Exhibit 3.10.

Exhibit 3.10
Calculating Foundation Program Variables
Fiscal 2015

Row Per Pupil Foundation Amount

1	Target per pupil amount	\$6,860	
	Minimum State Per Pupil Foundation Amount		
2	Per pupil amount	\$6,860	= Row 1
3	Minimum State share	15%	= Constant
4	Minimum amount	\$1,029	= Row 2 x Row 3
	Local Contribution Rate		
5	Per pupil foundation	\$6,860	= Row 1
6	Local share	50%	= Constant
7	FTE enrollment 9/30/13	834,524	= Actual
8	Wealth base	\$395,551,645,249	= Actual
9	Local contribution rate	0.0072365	= (Row 5 x Row 6 x Row 7) / Row 8

FTE: Full-time equivalent

Source: Department of Legislative Services

Exhibit 3.11
Foundation Program Calculation
Fiscal 2015

County	FTE Enrollment 9/30/13	Basic Program: \$6,860 Times Enrollment	Wealth Base	Local Share 0.0072365 Times Wealth	Formula State Aid ¹	Min. State Aid \$1,029 Times Enrollment	Total State Aid ²
Allegany	8,313.50	\$57,030,610	\$2,447,070,714	\$17,708,227	\$39,322,383	\$8,554,592	\$39,322,383
Anne Arundel	76,181.00	522,601,660	44,716,043,747	323,587,651	199,014,009	78,390,249	199,014,009
Baltimore City	79,352.00	544,354,720	21,634,385,126	156,557,228	387,797,492	81,653,208	387,797,492
Baltimore	104,357.75	715,894,165	49,497,919,533	358,191,695	357,702,470	107,384,125	357,702,470
Calvert	15,822.75	108,544,065	7,170,793,811	51,891,449	56,652,616	16,281,610	56,652,616
Caroline	5,235.00	35,912,100	1,491,955,877	10,796,539	25,115,561	5,386,815	25,115,561
Carroll	25,948.50	178,006,710	11,512,151,764	83,307,686	94,699,024	26,701,007	94,699,024
Cecil	15,100.00	103,586,000	5,626,154,380	40,713,666	62,872,334	15,537,900	62,872,334
Charles	25,523.75	175,092,925	9,689,932,609	70,121,197	104,971,728	26,263,939	104,971,728
Dorchester	4,505.00	30,904,300	1,611,468,527	11,661,392	19,242,908	4,635,645	19,242,908
Frederick	39,471.50	270,774,490	15,886,403,810	114,961,961	155,812,529	40,616,174	155,812,529
Garrett	3,785.50	25,968,530	2,360,679,298	17,083,056	8,885,474	3,895,280	8,885,474
Harford	37,055.00	254,197,300	16,370,184,188	118,462,838	135,734,462	38,129,595	135,734,462
Howard	51,629.75	354,180,085	27,716,977,751	200,573,909	153,606,176	53,127,013	153,606,176
Kent	1,995.00	13,685,700	1,557,535,798	11,271,108	2,414,592	2,052,855	2,414,592
Montgomery	147,462.25	1,011,591,035	96,888,567,983	701,134,122	310,456,913	151,738,655	310,456,913
Prince George's	119,280.75	818,265,945	44,730,804,357	323,694,466	494,571,479	122,739,892	494,571,479
Queen Anne's	7,471.50	51,254,490	4,182,907,537	30,269,610	20,984,880	7,688,174	20,984,880
St. Mary's	16,890.25	115,867,115	7,202,769,004	52,122,838	63,744,277	17,380,067	63,744,277
Somerset	2,727.00	18,707,220	792,257,742	5,733,173	12,974,047	2,806,083	12,974,047
Talbot	4,298.50	29,487,710	4,424,010,084	32,014,349	(2,526,639)	4,423,157	4,423,157
Washington	21,939.25	150,503,255	7,331,241,760	53,052,531	97,450,724	22,575,488	97,450,724
Wicomico	13,929.50	95,556,370	3,868,116,751	27,991,627	67,564,743	14,333,456	67,564,743
Worcester	6,249.00	42,868,140	6,841,313,098	49,507,162	(6,639,022)	6,430,221	6,430,221
Statewide	834,524.00	\$5,724,834,640	\$395,551,645,249	\$2,862,409,481	\$2,862,425,159	\$858,725,200	\$2,882,444,199

FTE: Full-time equivalent

¹Formula State aid equals the basic program minus the local share.

²State aid equals the greater of formula State aid and minimum State aid.

Note: Local wealth is calculated based on net taxable income data from September 1.

Source: Department of Legislative Services

Special Provisions: At a minimum, by statute, counties must provide the greater of the local share of the foundation amount or at least the same dollars per pupil as they provided in the previous fiscal year. This is known as the “maintenance of effort” requirement. The State Board of Education may grant a county government experiencing fiscal problems a temporary or rebasing waiver of the maintenance of effort requirement. This is discussed further later in this chapter under the “Maintenance of Effort Requirement” subheading. In addition, to calculate the prior year’s local appropriation, nonrecurring costs may be excluded if they are documented and approved by the State board.

History of Major Changes:

- 1973 Chapter 360 established the per pupil funding level for formula aid and provided for a phase-in to a \$610 per pupil foundation by fiscal 1978. The \$610 was subsequently raised to \$624. The foundation was shared 55% State/45% local.
- 1978 Chapter 420 increased the foundation from \$624 to \$690 per pupil and changed the State/local shares to a 50%/50% split for amounts above \$624.
- 1980 Chapter 531 increased the per pupil foundation amount from \$784 to \$942, established the goal of a basic current expense per pupil foundation amount to equal 75% of the average per pupil expenditures in recent fiscal years, phased 50% of the assessed value of personal property into the wealth base in 10% increments over a five-year period, and set an 8% growth cap on increases in the foundation.
- 1984 Chapter 85 provided substantial increases in the per pupil foundation amounts over a five-year period, raising it to \$1,947 by fiscal 1989. By fiscal 1990, the law required the per pupil foundation amount to equal 75% of the average per pupil expenditures in prior years, but the annual increases in the foundation were capped by the lesser of 8% or the change in the consumer price index. The legislation also required the General Assembly to affirm the affordability of these increases if State aid for education exceeded 32.8% of general fund revenues and prescribed a maintenance of effort requirement for the counties.
- 1987 Chapter 277 (APEX) required the per pupil foundation amounts to equal the lesser of \$2,550 or 75% of the two prior years’ average per pupil expenditures by fiscal 1992. By fiscal 1993, the per pupil foundation had to equal 75% of the two prior years’ average per pupil expenditure. The legislation also required the General Assembly to affirm the affordability of these increases in any year that State aid exceeded 31.5% of general funds.

- 1996 Chapter 175 altered the local maintenance of effort requirement by authorizing a county to spend fewer dollars in times of decreasing enrollment and by authorizing the State board to grant a temporary or partial waiver in certain circumstances.
- 2002 Chapter 288, the Bridge to Excellence in Public Schools Act, changed the name of the current expense program to the foundation program. The previous method for determining the annual per pupil foundation amount, based on spending in prior fiscal years, was eliminated and a new method, based on reaching a target amount that reflects adequacy, was established for implementation from fiscal 2004 to 2008. The law also included an increase in the full-time equivalent enrollment count for kindergarteners from 0.5 to 1.0 to acknowledge the requirement that school systems provide full-day kindergarten to all students by the 2007-2008 school year. The legislation began a phase-down of the State's share of the historical \$624 per pupil "first tier" funding from 55% to 50%, and instituted a higher minimum State share of the per pupil foundation. The law also required the State to adjust its share of the foundation program in fiscal 2004 for four counties to recognize educational resource cost differences that are outside the control of the local jurisdictions. Finally, Chapter 288 required the General Assembly to affirm by joint resolution the State's ability to pay for the aid increases associated with the legislation during the 2004 legislative session and specified an alternative funding schedule that would be implemented if the joint resolution was not passed.
- 2004 Chapter 6 repealed the requirement that the General Assembly pass a joint resolution to proceed with full funding for the Bridge to Excellence Act.
- 2005 Chapter 444 repealed the requirement that the General Assembly affirm the State's ability to pay for scheduled aid increases in each year that education aid exceeds 31.5% of general funds.
- 2007 Chapter 2 of the 2007 special session froze inflation in the per pupil foundation amount for fiscal 2009 and 2010. It also specified that the foundation would increase in subsequent years by the lesser of the increase in the implicit price deflator for State and local government expenditures, the increase in the consumer price index for urban consumers in the Baltimore-Washington area for the second prior fiscal year, or 5%. If there is no increase in inflation indexes, the foundation amount remains the same as the prior fiscal year.
- 2009 Chapter 487 limited the per pupil foundation inflation increase for fiscal 2012 to 1%. Chapter 487 also extended the deadline for counties to apply to the State Board of Education for waivers of the maintenance of effort provision and clarified that if a county receives a waiver from the maintenance of effort requirement, the required

local appropriation for the fiscal year after the waiver will be based on the greater of the per pupil local appropriation from the prior year or the second prior year.

- 2010 Chapter 484 limited inflationary growth in the per pupil foundation amount to 1% through fiscal 2015.
- 2011 Chapter 397 prevented a 0.8% or \$55 increase in the per pupil foundation amount by holding the per pupil foundation amount at \$6,694 in fiscal 2012 for a fifth consecutive year.
- 2012 Chapter 6 altered the maintenance of effort penalty, refined the waiver process, established a waiver process for counties that want to rebase the required amount, and modified the calculation of required amounts.

Legal Reference: Education Article, Section 5-202

Geographic Cost of Education Index

The Bridge to Excellence Act required the development of a Maryland-specific geographic cost of education index that would be available to adjust State aid beginning in fiscal 2005. Chapter 430 of 2004 established a formula for the geographic cost of education index, but unlike the rest of the major State aid programs, the formula was not mandated. The statutory geographic cost of education index formula phased in from fiscal 2006 to 2010, but the phase-in schedule was not followed. Instead, the formula received no funding through fiscal 2008 and was phased in at 30% in fiscal 2009 and 100% in fiscal 2010; it has been fully funded since then.

Distribution: The goal of the geographic cost of education index is to recognize regional differences in the cost of educational resources and to compensate school systems where resources cost more due to factors beyond the control of local jurisdictions. For example, personnel costs might be affected by factors like the local student population, local quality of life, and local cost-of-living. Energy costs could be impacted by different local weather patterns. The original Maryland-specific index that was developed as required by the Bridge to Excellence Act is shown in Exhibit 3.12. The values range from 0.948 in Garrett County to 1.048 in Prince George's County, with values above 1.000 representing above-average costs and values below 1.000 reflecting below-average costs.

Exhibit 3.12
Geographic Cost of Education Index

County	GCEI Value	County	GCEI Value
Allegany	0.959	Harford	0.992
Anne Arundel	1.018	Howard	1.015
Baltimore City	1.042	Kent	1.010
Baltimore	1.008	Montgomery	1.034
Calvert	1.021	Prince George's	1.048
Caroline	1.000	Queen Anne's	1.011
Carroll	1.014	St. Mary's	1.002
Cecil	0.989	Somerset	0.973
Charles	1.020	Talbot	0.991
Dorchester	0.978	Washington	0.974
Frederick	1.024	Wicomico	0.971
Garrett	0.948	Worcester	0.959

GCEI: geographic cost of education index

Source: *Adjusting for Geographic Differences in the Cost of Education Provision in Maryland*, 2003

The formula passed by the General Assembly for the index provides additional funds to local school systems with index values above 1.000 but does not decrease funding for systems with below-average costs. The basic formula for the index is:

$\text{FTE Enrollment} \times \text{Per Pupil Foundation Amount} \times (\text{GCEI value} - 1.000)$
--

Chapter 2 of the 2007 special session required that the geographic cost of education index be updated every three years beginning in September 2009. The index update must use the most current available data and the same methodology used to develop the original Maryland-specific geographic cost of education index. Chapter 2 also required that the Maryland State Department of Education recommend legislation to alter the adjustments used in the formula in the legislative session that follows an update of the index. The index was updated as required in 2009, but the newer index was not codified and has not been used to calculate the formula. The calculation of the formula based on the original index for fiscal 2015 totals \$132.7 million and is shown in Exhibit 3.13. The 2012 update was deferred to 2016 by Chapter 397 of 2011. The consultants who are conducting the required adequacy study are also updating the index, as well as evaluating the current methodology and recommending any changes to how the index is calculated.

Exhibit 3.13
Geographic Cost of Education Index Formula Calculation
Fiscal 2015

County	FTE Enrollment 9/30/13	Foundation: \$6,860 Times Enrollment	GCEI Adjustment	Formula
Allegany	8,313.50	\$57,030,610	0	\$0
Anne Arundel	76,181.00	522,601,660	0.018	9,406,830
Baltimore City	79,352.00	544,354,720	0.042	22,862,898
Baltimore	104,357.75	715,894,165	0.008	5,727,153
Calvert	15,822.75	108,544,065	0.021	2,279,425
Caroline	5,235.00	35,912,100	0	0
Carroll	25,948.50	178,006,710	0.014	2,492,094
Cecil	15,100.00	103,586,000	0	0
Charles	25,523.75	175,092,925	0.020	3,501,859
Dorchester	4,505.00	30,904,300	0	0
Frederick	39,471.50	270,774,490	0.024	6,498,588
Garrett	3,785.50	25,968,530	0	0
Harford	37,055.00	254,197,300	0	0
Howard	51,629.75	354,180,085	0.015	5,312,701
Kent	1,995.00	13,685,700	0.010	136,857
Montgomery	147,462.25	1,011,591,035	0.034	34,394,095
Prince George's	119,280.75	818,265,945	0.048	39,276,765
Queen Anne's	7,471.50	51,254,490	0.011	563,799
St. Mary's	16,890.25	115,867,115	0.002	231,734
Somerset	2,727.00	18,707,220	0	0
Talbot	4,298.50	29,487,710	0	0
Washington	21,939.25	150,503,255	0	0
Wicomico	13,929.50	95,556,370	0	0
Worcester	6,249.00	42,868,140	0	0
Statewide	834,524.00	\$5,724,834,640	–	\$132,684,798

GCEI: geographic cost of education index

Source: Department of Legislative Services

History of Major Changes:

- 2004 Chapter 430 established a discretionary formula to calculate State aid and codified the index values for the Maryland-specific geographic cost of education index.
- 2007 Chapter 2 of the 2007 special session required the geographic cost of education index to be updated every three years beginning in September 2009.
- 2011 Chapter 397 deferred the 2012 update to 2016.

Supplemental Grants

Supplemental grants were established to mitigate the effect of the freeze in the per pupil foundation amount for fiscal 2009 and 2010, ensuring at least a 1% annual increase in State funding for each local school system based on a formula established in the law.

Distribution: Supplemental grants were calculated in fiscal 2009 and 2010 by comparing specified State aid to the aid provided in the previous fiscal year. A school system that received less than a 1% increase in aid through the specified formulas received a supplemental grant in the amount needed to increase State aid by 1%. In fiscal 2011 and future years, the grants were scheduled to continue at the amounts calculated in fiscal 2010. Beginning in fiscal 2011, as approved in 2007 and amended by Chapter 487 of 2009, the Budget Reconciliation and Financing Act of 2009, the supplemental grants continue at the amount provided in the previous year. For fiscal 2011 and future years, the amount will total \$46.6 million for the nine counties that receive the grant. As a result of reductions to the grants made in fiscal 2011, which recovered overpayments in aid made by the State, supplemental grants for two counties (Carroll and Harford) were negative. Chapter 425 of 2013 modified the law so no grant would be negative beginning in fiscal 2014. Chapter 397 of 2011 required the adequacy study to examine whether the supplemental grants should continue permanently.

History of Major Changes:

- 2007 Chapter 2 of the special session established supplemental grants to mitigate the effect of a freeze in the per pupil foundation amount for fiscal 2009 and 2010.
- 2009 Chapter 487 reduced the grants for fiscal 2011 and future years to correct a mistake in the fiscal 2009 and 2010 calculations of State aid.
- 2013 Chapter 425 provided that no supplemental grant may be less than zero.

Legal Reference: Education Article, Section 5-202

Teachers' Retirement

Since 1927, virtually all teachers, principals, and certain other public school employees have been required to be members of the State Teachers' Retirement or Pension Systems as a condition of their employment. These systems are maintained and operated by the State. Eligible employees include teachers and teacher aides, principals, food service workers, staff psychologists, and registered nurses.

Distribution: Before 2012, Maryland was 1 of 11 states that paid the full employer pension contribution for teachers and other related staff employed by local school boards. Chapter 1 of the first special session of 2012, the Budget Reconciliation and Financing Act of 2012, phased in a requirement that local school boards pay 100% of the employer *normal* cost for active members of the Teachers' Retirement and Pension Systems, while the State will continue to pay 100% of the amortized accrued liability for active and retired members. The employer normal cost represents the employer's share of the payment that is necessary to fund the benefits that currently employed members accrue in a given year.

To assist the local school boards in funding the normal cost, Chapter 1 also required that each county government must include this amount in its appropriation to the local school board as part of the county's annually required maintenance of effort payment. However, during the phase-in period from fiscal 2013 to 2016, these payments are not used in the calculation of the following year's required maintenance of effort. Instead, each county's required payment, in addition to the maintenance of effort amount, is specified in law. Beginning in fiscal 2017, the required payment made in fiscal 2016 will be incorporated in the per pupil maintenance of effort calculation. In order to soften the impact on the counties of sharing the cost of teachers' retirement, Chapter 1 also established the State Teacher Retirement Supplemental Grant as a mandatory general fund appropriation and repealed the requirement that local school boards reimburse the State for the pension costs of federally funded teachers and related staff beginning in fiscal 2015. It also made adjustments to other, noneducation State grants to the counties. Exhibit 3.14 shows the phase-in schedule of local school board payments for teachers' retirement.

Because Chapter 1 stipulated a specific dollar amount that each school system and county was required to pay during the phase-in of the cost-sharing plan, based on the estimated normal cost each year, they have not been responsible for the unanticipated increase in the normal cost that occurred in fiscal 2014 and 2015. The State has paid the additional cost. However, beginning in fiscal 2017, each local school system is responsible for 100% of the *actual* normal cost. Increases in State and county support will make up a portion of any additional cost after fiscal 2016.

Exhibit 3.14
Local School System Teachers' Retirement Payments
Fiscal 2013-2016

County	2013	2014	2015	2016
Allegany	\$1,487,742	\$1,885,754	\$2,412,465	\$2,773,677
Anne Arundel	11,493,684	14,568,567	18,637,716	21,428,297
Baltimore City	12,922,862	16,380,092	20,955,217	24,092,793
Baltimore	15,755,802	19,970,922	25,549,002	29,374,395
Calvert	2,835,938	3,594,631	4,598,648	5,287,193
Caroline	793,934	1,006,334	1,287,413	1,480,175
Carroll	4,005,782	5,077,441	6,495,621	7,468,196
Cecil	2,459,819	3,117,889	3,988,747	4,585,973
Charles	3,936,516	4,989,645	6,383,304	7,339,061
Dorchester	656,543	832,186	1,064,625	1,224,028
Frederick	5,893,461	7,470,128	9,556,610	10,987,499
Garrett	664,714	842,544	1,077,874	1,239,262
Harford	5,529,741	7,009,102	8,966,815	10,309,396
Howard	9,821,066	12,448,477	15,925,463	18,309,945
Kent	366,147	464,102	593,730	682,628
Montgomery	27,227,553	34,511,689	44,151,153	50,761,802
Prince George's	19,554,579	24,785,979	31,708,954	36,456,662
Queen Anne's	1,105,527	1,401,286	1,792,679	2,061,093
St. Mary's	2,485,697	3,150,691	4,030,711	4,634,220
Somerset	480,124	608,570	778,550	895,121
Talbot	628,456	796,586	1,019,080	1,171,665
Washington	3,094,113	3,921,875	5,017,294	5,768,522
Wicomico	2,173,593	2,755,091	3,524,616	4,052,348
Worcester	1,271,561	1,611,739	2,061,914	2,370,640
Statewide	\$136,644,954	\$173,201,320	\$221,578,201	\$254,754,591

Source: Chapter 1 of the First Special Session of 2012; Department of Legislative Services

In fiscal 2015, total State payments for teachers' retirement are \$738.6 million. Largely due to pension benefit changes and local cost-sharing initiatives, teachers' retirement payments made by the State on behalf of the local school boards increased by a relatively modest \$10.5 million from fiscal 2014 to 2015. Retirement costs paid by the State grew by 50%, or \$283.4 million, from fiscal 2008 to 2011 before local cost-sharing and pension benefit changes were implemented.

History of Major Changes:

- 1924 Baltimore City established its Employees Retirement System and allowed city teachers to become members.
- 1927 The State established the Teachers' Retirement System identical to the city system to provide equivalent benefits for county teachers. All costs were paid by the State, and the city was reimbursed for the costs of the teachers in its system.
- 1971 Baltimore City teachers were transferred to the Teachers' Retirement System.
- 1980 The Teachers' Retirement System was closed to new members, and the Teachers' Pension System was established for new members and those members of the old system who chose to transfer.
- 1992-1994 – Due to the fiscal crisis, the State did not make retirement payments associated with general salary increases given to teachers from fiscal 1992 to 1994. Local school boards were responsible for paying these retirement costs. Chapter 1 of the second special session of 1992 eliminated State reimbursement of local employee Social Security costs (including teachers) beginning in fiscal 1993.
- 1995 The State resumed paying 100% of teachers' retirement costs beginning with fiscal 1996.
- 1998 Chapter 530 provided a benefit enhancement for the members of the Employees' Pension System and the Teachers' Pension System.
- 2002 Chapter 288 required the State to pay retirement benefits for all teachers who are funded with State aid beginning in fiscal 2004. Previously, local school systems were required to reimburse the State for retirement costs associated with teachers who were paid with funding from many categorical State aid programs.
- 2006 Chapter 110 provided a benefit enhancement for the members of the Employees' Pension System and the Teachers' Pension System and increased employee contributions to the systems to help pay for the enhancements.
- 2011 Chapter 397 of 2011 made comprehensive pension benefit changes for State employees and teachers hired after June 30, 2011. Employees and teachers who were employed before July 1, 2011, and subsequently retire are also affected. It also required local school boards and community colleges to pay their prorated share of the administrative costs of the State Retirement Agency based on the number of their employees who are members of the Teachers' Pension or Retirement Systems.

- 2012 Chapter 1 of the first special session of 2012 phased in over a period of four years a requirement that local school boards pay 100% of the employer normal cost for active members of the Teachers' Retirement and Pension System. It also repealed the requirement that local school boards reimburse the State for the State pension costs of federally funded teachers and related staff beginning in fiscal 2015.

Legal Reference: Education Article, Section 5-203 and State Personnel and Pensions Article, Sections 21-308 and 21-309.1

Net Taxable Income Education Grants

Net taxable income is one factor in calculating local wealth for purposes of State aid for education. In general, income tax returns must be filed by April 15; however, taxpayers may pay an estimated tax amount and request an extension from the federal and State governments. Beginning in tax year 2005, the federal government changed the automatic filing extension from four months (August 15) to six months (October 15), and the State conformed to this schedule. Prior to fiscal 2014, the State used net taxable income data as of September 1, which reflected the tax returns filed by the automatic federal extension deadline of August 15, to calculate local wealth. As a result, the net taxable income data used by the State in determining local wealth did not include returns filed in September and October. Chapter 4 of 2013 changed that by requiring State education aid formulas that include a local wealth component to be calculated twice, once using a net taxable income amount for each county based on tax returns filed by September 1, and once using a net taxable income amount based on tax returns filed by November 1. Each local school system then receives the greater State aid amount that results from the two calculations, with the increase phased in over five years beginning in fiscal 2014.

Net taxable income education grants to 18 counties totaled \$8.3 million in fiscal 2014, equal to 20% of the additional amount, and increased to \$26.9 million (40% of the additional amount) in fiscal 2015.

History of Major Changes:

- 2013 Chapter 4 provided additional education grants to counties whose formula aid funding amount is higher using net taxable income data from November 1 as compared to September 1.
- 2014 Chapter 464, the Budget Reconciliation and Financing Act of 2014, clarified that, for purposes of local maintenance of effort requirements, the calculation of local wealth must use the amount certified for net taxable income based on tax returns filed on or before September 1, for fiscal 2015 through 2017, and on or before November 1 for fiscal 2018 and each year thereafter.

Legal Reference: Education Article, Section 5-202

Guaranteed Tax Base

The Bridge to Excellence legislation established a guaranteed tax base program in order to encourage less wealthy jurisdictions to maintain or increase local education tax effort, *i.e.*, local education appropriation as a percent of local tax base, which was phased in from fiscal 2005 to 2008. The program provides additional State education aid to counties that have less than 80% of the statewide average wealth per pupil and provide local education funding above the minimum local share required by the foundation program. The program uses local education tax effort and wealth to determine State aid amounts for each eligible school system.

Distribution: To determine which counties qualify for State aid under the guaranteed tax base program, wealth and full-time equivalent enrollment, as defined for the foundation program, are used to compute wealth per pupil figures for the State and for each of the 24 jurisdictions. To qualify for the program, a county must have a wealth per pupil figure that is less than 80% of the statewide figure. In addition, the county's local school board appropriation must be greater than the county's required local share of the foundation program.

Once qualifying counties have been identified, the distribution of State aid is determined by wealth, full-time equivalent enrollment, and supplemental local education tax effort. A county's supplemental local effort is calculated by subtracting the county's local share of the foundation program from the county's overall education appropriation, and dividing the difference by the county's wealth. State aid for each school system is then calculated as follows:

$$\text{Supplemental Local Effort} \times (80\% \text{ of Statewide Wealth Per Pupil} - \text{Local Wealth Per Pupil}) \\ \times \text{Local Enrollment}$$

The per pupil State contribution is limited to 20% of the per pupil foundation amount as determined under the foundation program. In effect, the formula provides as much State aid to a local school system as the system would have received from the county government at the county's actual level of education tax effort if the county had the tax base that is "guaranteed." Thus, counties with high tax effort and low wealth receive the highest per pupil State aid amounts.

Exhibit 3.15 shows the calculation of the guaranteed tax base allocation for fiscal 2015.

Legal Reference: Education Article, Section 5-210

Exhibit 3.15
Guaranteed Tax Base Calculation
Fiscal 2015

County	FY 2015 Wealth Base	FY 2014 Local Education Appropriation	FY 2015 Local Share of Foundation	Supplemental Education Tax Effort ¹	FTE Enrollment 9/30/13	Wealth Per Pupil	Full Program ²
Allegany	\$2,447,070,714	\$29,770,045	\$17,708,227	0.0049291	8,313.50	\$294,349	\$3,476,539
Anne Arundel	44,716,043,747	596,454,600	323,587,651	0.0061022	76,181.00	586,971	0
Baltimore City	21,634,385,126	257,441,740	156,557,228	0.0046632	79,352.00	272,638	39,426,835
Baltimore	49,497,919,533	712,086,091	358,191,695	0.0071497	104,357.75	474,310	0
Calvert	7,170,793,811	113,394,429	51,891,449	0.0085769	15,822.75	453,195	0
Caroline	1,491,955,877	13,416,327	10,796,539	0.0017559	5,235.00	284,996	865,817
Carroll	11,512,151,764	168,578,000	83,307,686	0.0074070	25,948.50	443,654	0
Cecil	5,626,154,380	72,848,292	40,713,666	0.0057117	15,100.00	372,593	568,817
Charles	9,689,932,609	159,010,300	70,121,197	0.0091733	25,523.75	379,644	0
Dorchester	1,611,468,527	18,359,680	11,661,392	0.0041566	4,505.00	357,707	402,251
Frederick	15,886,403,810	233,354,228	114,961,961	0.0074524	39,471.50	402,478	0
Garrett	2,360,679,298	26,201,544	17,083,056	0.0038627	3,785.50	623,611	0
Harford	16,370,184,188	221,300,729	118,462,838	0.0062820	37,055.00	441,781	0
Howard	27,716,977,751	497,485,719	200,573,909	0.0107123	51,629.75	536,841	0
Kent	1,557,535,798	17,196,312	11,271,108	0.0038042	1,995.00	780,720	0
Montgomery	96,888,567,983	1,448,250,594	701,134,122	0.0077111	147,462.25	657,040	0
Prince George's	44,730,804,357	623,743,913	323,694,466	0.0067079	119,280.75	375,004	3,348,211
Queen Anne's	4,182,907,537	48,131,684	30,269,610	0.0042703	7,471.50	559,848	0
St. Mary's	7,202,769,004	89,910,979	52,122,838	0.0052463	16,890.25	426,445	0
Somerset	792,257,742	9,480,539	5,733,173	0.0047300	2,727.00	290,524	1,143,649
Talbot	4,424,010,084	35,158,266	32,014,349	0.0007106	4,298.50	1,029,199	0
Washington	7,331,241,760	94,453,575	53,052,531	0.0056472	21,939.25	334,161	5,578,712
Wicomico	3,868,116,751	40,520,465	27,991,627	0.0032390	13,929.50	277,692	4,579,323
Worcester	6,841,313,098	75,477,677	49,507,162	0.0037961	6,249.00	1,094,785	0
Statewide	\$395,551,645,24	\$5,602,025,728	\$2,862,409,481	0.0069261	834,524.00	\$473,985	\$59,390,154
				Guaranteed Tax Base:		\$379,188	

¹Supplemental education tax effort equals the local appropriation minus the local share of the foundation divided by local wealth based on September 1 net taxable income data.

²Full program equals guaranteed per pupil tax base minus local per pupil wealth times supplemental education tax effort times full-time equivalent enrollment.

Source: Department of Legislative Services

Other General Education Programs

In addition to the foundation program, the geographic cost of education index, supplemental grants, teachers' retirement payments, net taxable income education grants, and the guaranteed tax base formula, the following State aid programs provide additional State support for general education in fiscal 2015 and total \$7.1 million.

Grant to Counties with Declining Enrollment (\$593,055 in fiscal 2015): Beginning in fiscal 2012 decreases in education aid in a few counties were projected to occur primarily due to declines in student enrollment. To address this issue, Chapter 397 of 2011 provided State grants to limit decreases in total direct education aid for fiscal 2012 to 6.5%. This resulted in a \$779,300 grant to Allegany County and a \$640,000 grant to Garrett County for fiscal 2012. Because the declining State aid trend continued, Chapter 1 of the first special session of 2012 provided a State grant to limit decreases in total direct education aid for fiscal 2013 to no more than 5%, a threshold exceeded by Garrett County. The calculated grant to Garrett County totaled \$1.2 million. Chapter 425 of 2013 provided a grant for fiscal 2014 equal to 25% of the decrease in total direct education aid, if a local board of education's total direct education aid in the current fiscal year is less than the prior year by more than 1%. While this resulted in a calculated grant of \$2.1 million to be shared by Carroll, Garrett, Harford, and Kent counties, funding for this grant was not mandatory and, while the General Assembly restricted funds in the State budget, the Governor did not transfer the funds.

Chapters 515 and 516 of 2014 created a mandatory and multi-year solution for counties with small and declining student enrollment by requiring the State to provide a grant in fiscal 2015 through 2017 to a local board of education if (1) full-time equivalent enrollment is less than 5,000; (2) full-time equivalent enrollment in the current fiscal year is less than the prior fiscal year; and (3) total direct education aid in the current fiscal year is less than the prior fiscal year by more than 1%. The grant must equal 50% of the decrease in total direct education aid. Garrett and Kent counties are the only local school systems that met all three criteria for a grant in fiscal 2015. The fiscal 2015 budget restricted funds in the Maryland State Department of Education's budget to be used to fund the grants in fiscal 2015 – \$464,103 for Garrett County and \$128,952 for Kent County. Further, if the Governor does not transfer this amount in fiscal 2015, then the amount must be provided in fiscal 2016.

History of Major Changes:

- 2011 Chapter 397 required the State to provide a grant to a local board of education to ensure that the board's "total direct education aid" for fiscal 2012 decreased by no more than 6.5% below the fiscal 2011 aid amount.

- 2012 Chapter 1 of the first special session required the State to provide a grant to a local board of education to ensure that the board's "total direct education aid" for fiscal 2013 decreased by no more than 5% below the fiscal 2012 aid amount.
- 2013 If a local board of education's "total direct education aid" in the current fiscal year is less than the prior year by more than 1%, Chapter 425 provided a grant for fiscal 2014 equal to 25% of the decrease in total direct education aid.
- 2014 Chapters 515 and 516 required the State to provide a grant in fiscal 2015 through 2017 to a local board of education if "total direct education aid" in the current fiscal year is less than the prior fiscal year by more than 1% and full-time equivalent enrollment is both less than 5,000 and less than the prior year. The grant must equal 50% of the decrease in total direct education aid.

Legal Reference: Education Article, Section 5-202

Out-of-county Living Arrangements and Students Living Near County Borders (\$3.9 million in fiscal 2015): The State provides a contribution to counties for educating students who are not permanent residents of the county but may be attending a public school in the county. The State contribution is mandated and depends on the number of children in each of the circumstances.

If a student lives in a foster care home or residential facility and therefore attends school in a county other than the county in which the child's parent or legal guardian resides, the county where the child resides must send the county educating the pupil an amount equal to the lesser of the "sending" or "receiving" county's local spending per student. If the amount paid by the "sending" county is less than the local per pupil spending of the "receiving" county, the State pays the difference to the "receiving" county through this program.

Additionally, if a student lives near the county line, and the closest school to the student is not in the student's county of residence, the student may attend the school in the neighboring county free of charge under certain circumstances.

Legal Reference: Education Article, Sections 4-121 and 4-122

Science and Math Initiatives (\$2.6 million in fiscal 2015): State aid for this program supports a math, science, engineering, and technology academy, as well as other science and math initiatives.

Targeted Funding for At-risk Students

The second major category of State aid programs provides additional funding to school systems based on their enrollments of students with special needs. Although the State supported numerous categorical programs that targeted funds to school systems with higher proportions of at-risk students prior to 2002, the adequacy concept and the Bridge to Excellence legislation altered the landscape of targeted funding considerably.

The adequacy study conducted for the Commission on Education Finance, Equity, and Excellence estimated the additional costs of providing services to three groups of at-risk students – special education students, students from economically disadvantaged backgrounds, and students with limited English proficiency. Instead of dollar values, the estimates were expressed as “weights” – the proportion of the general education base per pupil cost that would be needed, over and above the base cost, to reasonably assume that an at-risk student could achieve State standards. Following some empirical and other adjustments to the initial study results, weights of 0.74 for special education students, 0.97 for students eligible for free and reduced-price meals, and 1.00 for limited English proficient students were calculated. The special needs pupil weights computed through the adequacy study were incorporated into the funding formulas for each of the three special needs groups. The three formulas make up the majority of State aid for at-risk students.

The programs use three slightly different versions of the same funding formula. State funding levels for the programs are based on the number of at-risk students enrolled in public schools at the end of October of the prior year and the per pupil foundation amount established in the foundation program (because the weights reflect a percentage of the per pupil foundation amount). The State has an overall share of 50% for all three programs, with more wealthy counties receiving lower State shares than less wealthy counties. Unlike the foundation program, however, local governments are not required by law to provide a local share to match the State funding. Each program has a minimum 40% State share of the per pupil amount, regardless of local wealth.

To determine the distribution of State aid through each of the three at-risk formulas, the following formula is used:

$$\frac{\text{State aid amount per at-risk pupil} \times \text{Enrollment of at-risk students}}{\text{Local wealth per pupil} / \text{statewide wealth per pupil}}$$

When the amounts for each school system are summed, however, the total does not equal the intended State contribution. Therefore, another step is taken to proportionally adjust the school system allocations by a reducing factor to bring the total back to the calculated funding level. In the final step, each jurisdiction’s per pupil aid, as calculated

in the previous steps, is compared to a statutory minimum State contribution. If the formula aid for a school system is less than the minimum aid, the school system receives the minimum rather than the amount computed through the formula. Fiscal 2015 funding levels for targeted aid programs – including the three at-risk formulas, State support for nonpublic special education, and the SEED School of Maryland – are shown in Exhibit 3.16, and each is separately explained.

Special Education Programs

Maryland law requires that the State and each county make free appropriate educational programs available to students with disabilities until the age of 21. The precursor to this requirement began in 1929 for students with physical disabilities and was later expanded to other disabilities and to children from birth through age 20. Most students currently receive special education services in the public schools. If an appropriate program is not available in the public schools, however, the student is placed in a private or nonpublic school offering more specialized services. State support for nonpublic schools that serve special education students is provided through aid for nonpublic placements. All special education students, regardless of where they are educated, must have Individualized Education Programs that define the services the students need and outline goals for students, as required by federal law. Individualized Education Programs must be updated annually.

Special Education Formula

Some additional State funding has been provided for the “excess” costs associated with educating students with special education needs as far back as fiscal 1930. The additional State and local aid that is currently provided traces its origins back to Chapter 240 of 1976, which was fully funded at \$100 million in fiscal 1981. It was intended to be an interim measure until more reliable data on the cost of educating students with disabilities was available. The funding was split 70%/30% between State and local governments, with the State providing \$70 million in aid annually. From fiscal 1981 to 2003, the funding served as a base “first tier” grant, and each county’s share of the \$70 million was frozen at its fiscal 1981 level.

Exhibit 3.16
Targeted Education Aid Programs
Fiscal 2015
(\$ in Thousands)

County	Special Education Formula	Nonpublic Placements	Compensatory Education	LEP Formula	Total
Allegany	\$4,919	\$1,454	\$20,724	\$85	\$27,182
Anne Arundel	16,107	6,813	63,083	9,669	95,672
Baltimore City	54,975	17,300	327,714	17,323	417,313
Baltimore	31,316	13,286	135,833	13,358	193,793
Calvert	3,450	807	10,771	434	15,461
Caroline	2,204	346	13,702	1,544	17,797
Carroll	7,477	2,253	14,225	712	24,666
Cecil	6,333	1,090	21,835	612	29,869
Charles	7,306	1,141	28,929	1,126	38,501
Dorchester	1,346	97	10,678	505	12,626
Frederick	11,387	3,590	32,535	6,744	54,256
Garrett	847	210	4,692	8	5,757
Harford	12,372	5,514	32,715	1,270	51,871
Howard	9,693	3,221	25,818	6,137	44,868
Kent	530	219	2,648	177	3,573
Montgomery	35,855	14,027	128,619	55,599	234,100
Prince George's	41,227	19,298	254,495	74,469	389,489
Queen Anne's	2,020	159	5,052	446	7,677
St. Mary's	4,346	93	16,217	697	21,352
Somerset	1,657	470	8,907	465	11,499
Talbot	784	42	4,663	725	6,215
Washington	7,103	626	41,907	1,773	51,409
Wicomico	6,778	81	38,615	3,407	48,882
Worcester	1,671	9	7,301	372	9,353
Unallocated ¹	0	18,772	10,146	0	28,918
Total	\$271,703	\$110,918	\$1,261,822	\$197,659	\$1,842,102

LEP: Limited English Proficiency

¹Unallocated compensatory education aid is \$10.1 million for the SEED School.

Note: Numbers may not sum to totals due to rounding.

Source: Department of Legislative Services; Maryland State Department of Education

Supplementary State funds for public special education were added in 1988, based on recommendations of the 1986 Task Force to Study the Funding of Special Education. These funds were distributed to the counties based on their proportion of the State's special education enrollment and were wealth-equalized. These "second tier" funds increased from \$4.25 million in fiscal 1988 to \$11.25 million in fiscal 1990 and remained at that level through fiscal 2003. This formula became the basis for the current special education formula.

The Bridge to Excellence Act implemented a special education funding formula that provides State aid based on the number of special education students enrolled in each public school system. The formula calculates a per special education pupil cost to be shared by State and local governments that is 0.74 times the per pupil funding level established in the foundation program. This funding level, when coupled with federal special education funding and aid for nonpublic placements and adjusted for at-risk students who qualify under more than one category of special needs, would bring the additional aid per special education student to approximately 1.17 times the per pupil foundation amount, as recommended by the adequacy study conducted for the Commission on Education Finance, Equity, and Excellence.

Distribution: Funding for the special education formula is based on local special education enrollments and wealth, as described under the "Targeted Funding for At-risk Students" heading. Exhibit 3.17 shows the calculation of \$271.7 million in fiscal 2015 State aid for the special education formula.

History of Major Changes:

- 1929 Chapter 152 established that the State will provide special schools or classes for physically handicapped children and State aid of \$2,000 per class to the local boards of education. An annual appropriation for special education is first provided in fiscal 1930 at \$10,000.
- 1931 Chapter 159 altered the State aid to be up to \$200 per child and expanded the definition of "handicapped" to include children from age 5 to 18 who are physically or mentally handicapped. The per-student amount was increased several times by subsequent legislation up to \$1,000 by Chapter 325 of 1970.
- 1957 Chapter 38 provided special education for preschool children who are handicapped. (See Chapter 1 of this Volume IX for more information on special education services for preschool children.)

- 1966 Chapter 406 required compulsory attendance for mentally and physically handicapped children, who had been exempted from the compulsory school attendance law in 1914.
- 1970 Chapter 257 expanded the definition of handicapped children to include “emotional impairment” and Chapter 289 included children with emotional handicaps in the compulsory attendance requirement.
- 1972 Chapter 471 added children with mild to profound hearing loss to the definition of handicapped.
- 1973 Chapter 359 codified special education laws in Section 106D and stated that education for handicapped children (later changed to “children with disabilities” in 1998) was available through age 20.
- 1976 Chapter 240 phased in a \$100 million State/local share program for public school special education placements. The State funded 70% of this cost, \$70 million annually.
- 1987 Chapter 121 (budget bill) provided \$4.25 million in additional special education aid allocated among the counties, as recommended by the Governor’s Task Force to Study the Funding of Special Education. By fiscal 1990, this amount had increased to \$11.25 million.
- 2000 Chapter 617 extended education for children with disabilities from birth through the end of the school year during which the child turns 21 years of age.
- 2002 Chapter 288 established a new funding formula for special education based on special education enrollment and local wealth. The new formula was fully phased in as of fiscal 2008.

Legal Reference: Education Article, Sections 5-209 and 8-401 to 8-415

Exhibit 3.17
Special Education Formula Calculation
Fiscal 2015

County	Oct. 2013 Special Ed. Enrollment	Program Level: \$2,538 x Enrollment	Wealth Per Pupil Factor ¹	Adjusted Grant ²	Minimum Grant: \$2,030 x Enrollment	Total Aid ³
Allegany	1,353	\$3,433,914	0.6210091	\$4,918,639	\$2,747,131	\$4,918,639
Anne Arundel	7,933	20,133,954	1.2383746	14,462,071	16,107,163	16,107,163
Baltimore City	14,007	35,549,766	0.5752039	54,975,400	28,439,813	54,975,400
Baltimore	13,881	35,229,978	1.0006857	31,316,134	28,183,982	31,316,134
Calvert	1,461	3,708,018	0.9561379	3,449,648	2,966,414	3,449,648
Caroline	587	1,489,806	0.6012764	2,203,987	1,191,845	2,203,987
Carroll	3,100	7,867,800	0.9360085	7,476,993	6,294,240	7,476,993
Cecil	2,205	5,596,290	0.7860861	6,332,622	4,477,032	6,332,622
Charles	2,592	6,578,496	0.8009621	7,305,806	5,262,797	7,305,806
Dorchester	450	1,142,100	0.7546800	1,346,154	913,680	1,346,154
Frederick	4,283	10,870,254	0.8491366	11,387,164	8,696,203	11,387,164
Garrett	417	1,058,346	1.3156767	715,537	846,677	846,677
Harford	5,108	12,964,104	0.9320569	12,372,389	10,371,283	12,372,389
Howard	4,774	12,116,412	1.1326118	9,515,824	9,693,130	9,693,130
Kent	261	662,418	1.6471407	357,729	529,934	529,934
Montgomery	17,659	44,818,542	1.3862042	28,759,676	35,854,834	35,854,834
Prince George's	14,448	36,669,024	0.7911727	41,226,980	29,335,219	41,226,980
Queen Anne's	995	2,525,310	1.1811513	1,901,790	2,020,248	2,020,248
St. Mary's	1,732	4,395,816	0.8997015	4,346,048	3,516,653	4,346,048
Somerset	450	1,142,100	0.6129392	1,657,449	913,680	1,657,449
Talbot	386	979,668	2.1713746	401,326	783,734	783,734
Washington	2,218	5,629,284	0.7050033	7,102,570	4,503,427	7,102,570
Wicomico	1,759	4,464,342	0.5858666	6,778,166	3,571,474	6,778,166
Worcester	823	2,088,774	2.3097461	804,416	1,671,019	1,671,019
Statewide	102,882	\$261,114,516	0.8895154	\$261,114,518	\$208,891,612	\$271,702,888

¹Wealth per pupil factor equals the local wealth per pupil divided by the statewide wealth per pupil. Local wealth is based on September 1 net taxable income data.
²The adjusted grant equals the program level divided by the wealth per pupil factor. The outcome is multiplied by the reducing factor, which brings the statewide total back to the calculated State funding level.

³Formula aid for each school system equals the greater of the adjusted grant and the minimum grant.

Source: Department of Legislative Services

Nonpublic Placements

The State and local governments share in the costs of nonpublic placements for special education children who cannot receive an appropriate education in public school. In fiscal 2015, approximately 4,000 children with disabilities will be placed in a nonpublic school, not including the Maryland School for the Blind, under the process described under the “Special Education Programs” heading. For those children in nonpublic placements approved by the Maryland State Department of Education, the county contributes an amount equal to the local share of the basic cost of educating a child without disabilities plus two times the total basic cost. Any costs above this base amount are split on a 70% State/30% local basis.

Distribution: In fiscal 2015, total State funding for nonpublic placements is \$111 million. An example of calculating the split funding calculation for a county follows:

1. The nonpublic placement cost for a student with disabilities from County Z is \$64,000 per year.
2. The basic cost (State plus local) of educating a student without disabilities in County Z is \$10,000 per year.
3. The local share of the basic cost is \$4,000 per year.

Calculation:

County Z calculations:	\$4,000	+	2 x \$10,000	=	\$24,000
	\$64,000	-	\$24,000	=	\$40,000
	30%	x	\$40,000	=	\$12,000
County Z contributes:	\$24,000	+	\$12,000	=	\$36,000
State contributes:	\$64,000	-	\$36,000	=	\$28,000

History of Major Changes:

- 1951 Chapter 533 established State aid of \$600 per severely handicapped student to pay for tuition in approved nonpublic special schools when no public program was available.
- 1967 Chapter 191 provided aid for excess costs for students with unique and severe handicapped conditions requiring specialized school placements.

- 1988 The Systems Reform Initiative, an effort to restructure the human services delivery system on an interagency basis through the development of community-based resources, began in July 1988. The initiative was designed to help counties develop more specialized services that would enable students in out-of-state programs to return to the State.
- 1991 Budget language began allowing flexible spending of funds appropriated for nonpublic placements on a broad range of services to assist in returning special needs out-of-state placements to Maryland.
- 1992 Chapters 192 and 264 were aimed at curtailing the escalating cost of special education nonpublic placements by developing plans for returning out-of-state placements to Maryland. Chapter 2 of the first special session of 1992 increased the local share of funding for nonpublic placements by decreasing the State share of funding from 100% to 80% of the costs exceeding the base local contribution.
- 2000 Chapter 617 extended education for children with disabilities from birth through the end of the school year during which the child turns 21.
- 2004 and 2005 – Chapter 430 of 2004 and Chapter 444 of 2005 reduced from 80% to 75% the State share of nonpublic placement costs in excess of the base local contribution for fiscal 2005 and 2006, respectively. Chapter 430 also required local school systems to pay educational costs for students placed in the Regional Institutes for Children and Adolescents; Chapter 444 repealed this requirement.
- 2009 Chapter 487 permanently decreased the State share of funding for nonpublic placements from 80% to 70% of the costs exceeding the base local contribution. Chapter 487 also limited fiscal 2010 increases in the rates paid to providers of nonpublic placements to 1.0%.
- 2010 and 2011 – Chapter 484 of 2010 and Chapter 397 of 2011 prohibited any increases in the fiscal 2011 and 2012 rates, respectively, paid to providers of nonpublic placements.
- 2012 Chapter 1 of the first special session of 2012 limited the rate increase for providers of nonpublic placements to 1.0% in fiscal 2013.
- 2013 Chapter 425 limited the increase in rates paid to providers of group homes and nonpublic placements to 2.5% over the rates in effect on January 16, 2013, in fiscal 2014.

2014 Chapter 462 (budget bill) made rate increases for fiscal 2015 effective July 1, 2014.

Legal Reference: Education Article, Sections 8-401 to 8-415, 8-417

Compensatory Education Formula

Maryland also provides supplemental funding to school systems to ensure that students receive additional support services if they are struggling to meet State standards. One of the most consistent predictors of lower test scores for schools and school systems is the proportion of economically disadvantaged students. The State has distributed compensatory aid to local school boards since 1980 to fund programs for students with educational needs resulting from educationally or economically disadvantaged environments. From 1980 to 1985, counties received \$45 in State aid for each student eligible for benefits from the federal Title I program, which provides categorical grants to help meet the needs of educationally disadvantaged children in areas with high concentrations of poverty. In fiscal 1985, the compensatory aid program was substantially revised to replace the \$45 per student program with a wealth-equalized formula that provided 25% of the per pupil foundation amount times the number of Title I-eligible students.

Since 1998, all school systems have developed comprehensive master plans for the use of State aid that is devoted to providing services to disadvantaged student populations. The Bridge to Excellence legislation required local school systems to produce more detailed comprehensive master plans beginning in 2003 that define the strategies that will be used to improve academic performance in all student groups, including struggling and disadvantaged students.

The funding for economically disadvantaged students was further enhanced by the Bridge to Excellence Act. Since fiscal 2004, the formula has used the number of students eligible for free and reduced-price meals instead of the number of Title I-eligible students, resulting in a higher student count. In addition, the formula uses a per pupil cost to be shared by State and local governments that is 0.97 times the per pupil funding level established in the foundation program. This funding level, when coupled with federal Title I funding and other State aid programs targeting struggling or disadvantaged students, brings the total aid per student who is eligible for free and reduced-price meals to approximately 1.1 times the per pupil foundation amount, which is the full amount of weight recommended by the adequacy study conducted for the Commission on Education Finance, Equity, and Excellence.

Distribution: Funding for the compensatory education formula is based on local enrollments of students eligible for free and reduced-priced meals and local wealth, as

discussed under the “Targeted Funding for At-risk Students” heading. The calculation of \$1.3 billion in fiscal 2015 State aid for the compensatory education formula is shown in Exhibit 3.18.

History of Major Changes:

- 1979 Chapter 407 created the compensatory education program, based on \$45 per Title I-eligible student.
- 1984 Chapter 85 established a compensatory aid program based on Title I-eligible student counts and local wealth. This new program replaced the 1979 compensatory aid program, targeted aid, and density aid. Density aid, a compensatory program allocating funds to Baltimore City, was phased out over four years. Chapter 85 tied increases in compensatory aid to current expense formula funding but capped these increases beginning in fiscal 1990.
- 1987 Chapter 277 repealed the fiscal 1990 cap on compensatory aid and continued to base the aid on 25% of the current expense formula’s per pupil foundation for all subsequent years.
- 1994 Chapter 606 instituted an 85% hold harmless for counties from the previous year’s funding level.
- 2002 Chapter 288 established an enhanced funding formula for compensatory education based on local enrollments of students eligible for free and reduced-price meals and local wealth. The new formula was fully phased in by fiscal 2008.

Legal Reference: Education Article, Section 5-207

Exhibit 3.18
Compensatory Education Formula Calculation
Fiscal 2015

County	Oct. 2013 FRPM Enrollment	Program Level: \$3,327 x Enrollment	Wealth Per Pupil Factor ¹	Adjusted Grant ²	Minimum Grant: \$2,662 x Enrollment	Total Aid ³
Allegany	4,630	\$15,404,010	0.6210091	\$20,723,718	\$12,323,208	\$20,723,718
Anne Arundel	23,701	78,853,227	1.2383746	53,198,487	63,082,582	63,082,582
Baltimore City	67,816	225,623,832	0.5752039	327,714,001	180,499,066	327,714,001
Baltimore	48,901	162,693,627	1.0006857	135,832,813	130,154,902	135,832,813
Calvert	3,705	12,326,535	0.9561379	10,770,908	9,861,228	10,770,908
Caroline	2,964	9,861,228	0.6012764	13,702,149	7,888,982	13,702,149
Carroll	4,790	15,936,330	0.9360085	14,224,610	12,749,064	14,224,610
Cecil	6,175	20,544,225	0.7860861	21,834,914	16,435,380	21,834,914
Charles	8,336	27,733,872	0.8009621	28,928,798	22,187,098	28,928,798
Dorchester	2,899	9,644,973	0.7546800	10,677,511	7,715,978	10,677,511
Frederick	9,939	33,067,053	0.8491366	32,534,923	26,453,642	32,534,923
Garrett	1,763	5,865,501	1.3156767	3,724,670	4,692,401	4,692,401
Harford	10,970	36,497,190	0.9320569	32,715,145	29,197,752	32,715,145
Howard	9,700	32,271,900	1.1326118	23,805,390	25,817,520	25,817,520
Kent	995	3,310,365	1.6471407	1,679,102	2,648,292	2,648,292
Montgomery	48,324	160,773,948	1.3862042	96,899,227	128,619,158	128,619,158
Prince George's	72,438	241,001,226	0.7911727	254,495,324	192,800,981	254,495,324
Queen Anne's	1,898	6,314,646	1.1811513	4,466,582	5,051,717	5,051,717
St. Mary's	5,249	17,463,423	0.8997015	16,216,711	13,970,738	16,216,711
Somerset	1,964	6,534,228	0.6129392	8,906,534	5,227,382	8,906,534
Talbot	1,752	5,828,904	2.1713746	2,242,766	4,663,123	4,663,123
Washington	10,629	35,362,683	0.7050033	41,906,935	28,290,146	41,906,935
Wicomico	8,139	27,078,453	0.5858666	38,615,082	21,662,762	38,615,082
Worcester	2,743	9,125,961	2.3097461	3,301,005	7,300,769	7,300,769
Statewide	360,420	\$1,199,117,340	Reducing Factor = 0.8354719	\$1,199,117,305	\$959,293,871	\$1,251,675,638

FRPM: free and reduced-price meals

¹Wealth per pupil factor equals the local wealth per pupil divided by the statewide wealth per pupil. Local wealth is based on September 1 net taxable income data.

²The adjusted grant equals the program level divided by the wealth per pupil factor. The outcome is multiplied by the reducing factor, which brings the statewide total back to the calculated State funding level.

³Formula aid for each school system equals the greater of the adjusted grant and the minimum grant.

Source: Department of Legislative Services

Limited English Proficiency Formula

Funding for limited English proficient students was initially provided in the fiscal 1994 State budget; the program was first established in statute in 1994. Prior to fiscal 1999, \$500 grants were provided to school systems for each limited English proficient student they enrolled. The number of limited English proficient students in each county was determined by a count as of May 15 of the second preceding school year, and no student could be included in the enrollment count for more than two years. Chapter 105 of 1997 provided an additional \$1.9 million for limited English proficiency programs in the State. In 1998, the School Accountability Funding for Excellence legislation increased the per student grant to \$1,350, and removed the two-year limit on inclusion in the enrollment count.

The Bridge to Excellence Act established a new formula for limited English proficiency funding based on the same adequacy study that informed the special education and compensatory education formulas. The study estimated that school systems need an additional 1.00 times the per pupil foundation amount for each student with limited English proficiency.

Distribution: Funding for the limited English proficiency formula is based on local enrollments of limited English proficient students and local wealth, as described under the “Targeted Funding for At-risk Students” heading. The calculation of \$197.7 million in fiscal 2015 State aid for the limited English proficiency formula is shown in Exhibit 3.19.

History of Major Changes:

- 1993 State aid for limited English proficient students was funded at \$5.9 million in the fiscal 1994 State budget.
- 1994 Chapter 510 established a limited English proficiency program in statute, and \$4.0 million was appropriated in the fiscal 1995 State budget. In fiscal 1996, the grant became \$500 per eligible student.
- 1997 Chapter 105 enhanced funding for limited English proficient students as part of the Baltimore City Schools legislation.
- 1998 Chapter 565 (the School Accountability for Funding Excellence legislation) increased the grant from \$500 to \$1,350 per limited English proficient student and repealed the two-year restriction on the number of years a student could be included in the enrollment count.

2002 Chapter 288 established an enhanced funding formula for students with limited English proficiency. The formula is based on local enrollments of students with limited English proficiency and local wealth. Full funding of the formula was phased in from fiscal 2004 to 2008.

Legal Reference: Education Article, Section 5-208

The SEED School of Maryland (Residential Boarding Education Program)

A public residential education boarding program for at-risk youth was established in Maryland in 2006. The program accepts students from across the State via a lottery system and is operated by the SEED School of Maryland, at a location in Baltimore City. Students must fall within household income limits and must be identified as at-risk to qualify for entrance. The school opened in August 2008 with a class of 80 sixth-graders. A maximum of 80 new sixth-graders were added each year until enrollment reached 400 students in fiscal 2014.

The State provides funds to the SEED School for transportation, boarding, and program administration. The initial plan was that the school would receive \$10 million in State funds per year when the school reached its target enrollment of 400 students (*i.e.*, \$25,000 per student). Chapter 504 of 2011 altered the formula so that for fiscal 2014 and each year thereafter, minimum funding per student is the prior year funding amount altered by the annual change in the per pupil foundation amount that is used to determine State aid for public primary and secondary education. Fiscal 2015 funding totaled \$10.1 million due to this provision. In addition to State funding, each local board of education provides its share of per pupil formula funding for each student at the school who has permanent residence in the county.

Exhibit 3.19
Limited English Proficiency Formula Calculation
Fiscal 2015

County	Oct. 2013 LEP Enrollment	Program Level: \$3,396 x Enrollment	Wealth Per Pupil Factor ¹	Adjusted Grant ²	Minimum Grant: \$2,717 x Enrollment	Total Aid ³
Allegany	16	\$54,336	0.6210091	\$85,434	\$43,469	\$85,434
Anne Arundel	3,559	12,086,364	1.2383746	9,529,868	9,669,091	9,669,091
Baltimore City	3,005	10,204,980	0.5752039	17,323,418	8,163,984	17,323,418
Baltimore	4,031	13,689,276	1.0006857	13,357,527	10,951,421	13,357,527
Calvert	125	424,500	0.9561379	433,512	339,600	433,512
Caroline	280	950,880	0.6012764	1,544,169	760,704	1,544,169
Carroll	201	682,596	0.9360085	712,078	546,077	712,078
Cecil	145	492,420	0.7860861	611,658	393,936	611,658
Charles	272	923,712	0.8009621	1,126,076	738,970	1,126,076
Dorchester	115	390,540	0.7546800	505,296	312,432	505,296
Frederick	1,727	5,864,892	0.8491366	6,744,127	4,691,914	6,744,127
Garrett	3	10,188	1.3156767	7,562	8,150	8,150
Harford	357	1,212,372	0.9320569	1,270,097	969,898	1,270,097
Howard	2,096	7,118,016	1.1326118	6,136,505	5,694,413	6,136,505
Kent	65	220,740	1.6471407	130,856	176,592	176,592
Montgomery	20,465	69,499,140	1.3862042	48,954,821	55,599,312	55,599,312
Prince George's	17,768	60,340,128	0.7911727	74,469,456	48,272,102	74,469,456
Queen Anne's	159	539,964	1.1811513	446,378	431,971	446,378
St. Mary's	189	641,844	0.8997015	696,586	513,475	696,586
Somerset	86	292,056	0.6129392	465,256	233,645	465,256
Talbot	267	906,732	2.1713746	407,744	725,386	725,386
Washington	377	1,280,292	0.7050033	1,773,214	1,024,234	1,773,214
Wicomico	602	2,044,392	0.5858666	3,407,287	1,635,514	3,407,287
Worcester	137	465,252	2.3097461	196,683	372,202	372,202
Statewide	56,047	\$190,335,612		\$190,335,608	\$152,268,492	\$197,658,807
		Reducing Factor =	0.9764348			

LEP: Limited English Proficiency

¹Wealth per pupil factor equals the local wealth per pupil divided by the statewide wealth per pupil. Local wealth is based on September 1 net taxable income data.
²The adjusted grant equals the program level divided by the wealth per pupil factor. The outcome is multiplied by the reducing factor, which brings the statewide total back to the calculated State funding level.

³Formula aid for each school system equals the greater of the adjusted grant and the minimum grant.

Source: Department of Legislative Services

History of Major Changes

- 2006 Chapter 397 established a public residential education boarding program for at-risk youth and authorized the Maryland State Department of Education to contract with a private entity to operate the program. A contract was awarded to an organization that operated a similar program in Washington, DC.
- 2010 Chapter 484 required the SEED School and the Maryland State Department of Education to negotiate a modification to their contract to extend from five to six years the time by which the SEED School reached the State-supported maximum of 400 students so that the appropriation was less than the original \$8 million in fiscal 2012 and less than \$10 million in 2013.
- 2011 Chapters 503 and 504 altered the minimum amount of State funds to be appropriated annually toward transportation, boarding, and administrative costs of funding per student. Beginning in fiscal 2014, funding is equal to the prior year funding amount as altered by the annual change in the per pupil foundation amount that is used to determine State aid for public primary and secondary education.

Legal Reference: Education Article, Sections 8-701 through 8-710

Other Education Aid Programs

Several State aid programs support important school activities that are not directly related to instruction, such as student transportation, food service, and assistance to recruit and retain quality teachers. These programs were not addressed in the adequacy study conducted for the Commission on Education Finance, Equity, and Excellence because the study focused exclusively on the resources needed to provide adequate *instructional* services to students in prekindergarten through grade 12. In addition, the State provides funding to support adult education. Fiscal 2015 funding for these other operating aid programs is shown in Exhibit 3.20, and descriptions of the programs follow.

Exhibit 3.20
Other State Operating Aid Programs
Fiscal 2015

County	Student Transportation ¹	Food Services ²	Adult Education ³	Teacher Quality ⁴	Other ⁵	Total
Allegany	\$4,494,579	\$265,301	\$182,759	\$79,000	\$14,859	\$5,036,498
Anne Arundel	22,025,985	680,128	339,252	704,000	25,885	23,775,250
Baltimore City	19,167,522	796,456	1,735,652	1,704,000	55,886	23,459,516
Baltimore	29,035,259	929,606	573,815	854,000	346,911	31,739,591
Calvert	5,589,059	35,822	235,955	25,000	14,940	5,900,776
Caroline	2,555,381	145,222	203,979	56,000	11,711	2,972,293
Carroll	9,467,914	83,627	160,295	204,000	359,928	10,275,764
Cecil	4,996,043	340,023	103,673	159,000	15,727	5,614,466
Charles	10,260,683	274,863	444,934	136,000	20,225	11,136,705
Dorchester	2,384,085	106,679	175,879	109,000	9,638	2,785,281
Frederick	11,878,212	211,677	508,781	93,000	524,657	13,216,327
Garrett	2,881,665	162,817	82,057	12,000	208,053	3,346,592
Harford	12,173,716	368,002	129,381	329,000	535,432	13,535,531
Howard	15,927,529	280,666	305,308	137,000	770,727	17,421,230
Kent	1,517,184	130,787	80,838	29,000	3,822	1,761,631
Montgomery	38,090,967	2,151,160	993,202	1,224,000	203,347	42,662,676
Prince George's	37,707,187	1,223,212	757,028	3,554,000	1,020,367	44,261,794
Queen Anne's	3,239,821	36,417	224,832	24,000	7,753	3,532,823
St. Mary's	6,676,957	242,775	245,377	128,000	15,425	7,308,534
Somerset	1,858,109	105,145	185,476	54,000	409,992	2,612,722
Talbot	1,548,948	104,163	195,882	79,000	2,188	1,930,181
Washington	6,933,323	467,739	166,699	132,000	215,444	7,915,205
Wicomico	5,083,976	190,858	0	252,000	416,908	5,943,742
Worcester	2,920,588	141,509	150,507	27,000	1,902	3,241,506
Unallocated	0	1,762,010	252,059	3,196,000	3,083,942	8,294,011
Statewide	\$258,414,692	\$11,236,664	\$8,433,620	\$13,300,000	\$8,295,669	\$299,680,645

¹Student transportation includes transportation for special needs students, and the Smith Island Boat Grant in Somerset County.

²Includes \$6.9 million in funding for the Maryland Meals for Achievement In-classroom Breakfast Program.

³Includes funding for Adult General Education, the External Diploma Program, the Literacy Works Program, and the Center for Art and Technology.

⁴Includes funding for the Quality Teacher Incentives, National Board Certification, Governor's Teacher Awards, and National Board Certified Teacher Pilot Program.

⁵Includes funding for School-based Health Centers, Fine Arts Grants, School Wiring, Lacrosse Opportunities Grant, Early College Innovation Fund and Digital Learning Innovation Fund.

Note: Numbers may not sum to totals due to rounding.

Source: Maryland State Department of Education; Department of Legislative Services

Student Transportation

All school systems are required to provide transportation to and from school for all public school students, including disabled students. Prior to fiscal 1982, a State school bus funding committee operated under the State Board of Education and determined the amounts that local school boards were reimbursed for transportation services. Since 1982, aid has been distributed according to a formula, although the formula has been adjusted several times. The funding consists of two parts: a base grant that is adjusted annually and a per pupil grant based on the number of students with special transportation needs.

Distribution: Each county's base transportation grant equals its base grant in the prior year, increased by the lesser of 8% or the change in the transportation category of the Consumer Price Index for the Baltimore-Washington metropolitan area from the second preceding fiscal year. However, each jurisdiction is guaranteed a minimum 1% annual increase in its base grant. In addition, school systems experiencing increases in enrollment receive an additional grant amount equal to the district's student enrollment increase over the previous year multiplied by total per pupil transportation aid from the prior year. The sum of the base grant and the enrollment adjustment becomes the subsequent year's base grant. Due to fiscal constraints in the budget, growth in funding for the base grant between fiscal 2011 and 2015 has been limited to a maximum of 1% of the amount of the grant for the previous year.

Chapter 288 of 2002 enhanced the base student transportation grants for 15 school systems that experienced aggregate enrollment increases between 1980 and 1995, a time period when the transportation formula did not adjust for increases in enrollment. The increased base grants were used to compute transportation funding in fiscal 2004, and annual grants have increased in each subsequent year from the higher base amounts.

Chapter 288 also enhanced funding for the transportation of students with disabilities. In fiscal 2003, distributions for disabled student transportation equaled \$500 times the number of disabled students transported in excess of the number transported in the 1980-1981 school year. From fiscal 2004 to 2008, however, the per pupil amount increased by \$100 annually and reached the scheduled full funding level of \$1,000 per pupil in fiscal 2008. In addition, the "offset" for disabled students transported in the 1980-1981 school year was removed in fiscal 2004 so that school systems receive per pupil funding for every student in need of special transportation services.

Finally, Somerset County has received a grant of \$35,000 annually since fiscal 1996 to support the operating costs of the Smith Island boat, which transports students from Smith Island to mainland Somerset County.

The fiscal 2015 distribution of student transportation formula aid is shown in Exhibit 3.21.

Exhibit 3.21
Student Transportation Formula Calculation
Fiscal 2015

County	FY 2014 Base Grant	CPI Adjustment 1.0%	Sept. 12-13 Enrollment Increase	Enrollment Increase x →\$277.55	FY 2015 Base Grant ¹	Disabled Riders Oct. 2013	Times \$1,000 Per Pupil	Total Aid ²
Allegany	\$4,235,227	\$4,277,579	0.00	\$0	\$4,277,579	217	\$217,000	\$4,494,579
Anne Arundel	20,104,015	20,305,055	734.75	203,930	20,508,985	1,517	1,517,000	22,025,985
Baltimore City	15,899,216	16,058,208	84.00	23,314	16,081,522	3,086	3,086,000	19,167,522
Baltimore	25,060,117	25,310,718	1,342.25	372,542	25,683,260	3,352	3,352,000	29,035,260
Calvert	5,222,831	5,275,059	0.00	0	5,275,059	314	314,000	5,589,059
Caroline	2,434,869	2,459,218	15.00	4,163	2,463,381	92	92,000	2,555,381
Carroll	8,939,519	9,028,914	0.00	0	9,028,914	439	439,000	9,467,914
Cecil	4,688,348	4,735,231	93.00	25,812	4,761,043	235	235,000	4,996,043
Charles	9,537,310	9,632,683	0.00	0	9,632,683	628	628,000	10,260,683
Dorchester	2,253,452	2,275,987	58.00	16,098	2,292,085	92	92,000	2,384,085
Frederick	10,828,151	10,936,433	114.50	31,780	10,968,213	910	910,000	11,878,213
Garrett	2,812,540	2,840,665	0.00	0	2,840,665	41	41,000	2,881,665
Harford	11,202,689	11,314,716	0.00	0	11,314,716	859	859,000	12,173,716
Howard	14,372,046	14,515,766	676.50	187,763	14,703,529	1,224	1,224,000	15,927,529
Kent	1,470,479	1,485,184	0.00	0	1,485,184	32	32,000	1,517,184
Montgomery	32,052,683	32,373,210	2,593.25	719,758	33,092,968	4,998	4,998,000	38,090,968
Prince George's	32,228,932	32,551,221	1,491.50	413,966	32,965,187	4,742	4,742,000	37,707,187
Queen Anne's	3,116,654	3,147,821	0.00	0	3,147,821	92	92,000	3,239,821
St. Mary's	6,127,272	6,188,545	203.25	56,412	6,244,957	432	432,000	6,676,957
Somerset	1,727,281	1,744,554	2.00	555	1,745,109	78	78,000	1,823,109
Talbot	1,498,001	1,512,981	21.50	5,967	1,518,948	30	30,000	1,548,948
Washington	6,431,644	6,495,960	51.75	14,363	6,510,323	423	423,000	6,933,323
Wicomico	4,752,451	4,799,976	0.00	0	4,799,976	284	284,000	5,083,976
Worcester	2,815,765	2,843,923	6.00	1,665	2,845,588	75	75,000	2,920,588
Total	\$229,811,492	\$232,109,607	7,487.25	\$2,078,088	\$234,187,695	24,192	\$24,192,000	\$258,379,695
Per Pupil ³	\$277.55							

CPI: Consumer Price Index

¹Fiscal 2015 base grants equal the fiscal 2014 base grant with the 1.0% CPI adjustment plus the enrollment adjustments.²Total aid equals the fiscal 2015 base grant plus the grant for disabled students.³Per pupil grant equals the fiscal 2014 base grant divided by the September 2012 full-time equivalent enrollment (827,999).

Note: This exhibit does not show the \$35,000 grant to Somerset County to operate the Smith Island boat.

Source: Department of Legislative Services

History of Major Changes:

- 1967 Chapter 405 provides for the transportation of disabled (then called “handicapped”) students to public and certain nonpublic schools.
- 1981 Chapter 507 established the basis for the school bus transportation grant formula using the fiscal 1982 distribution of transportation aid.
- 1988 Chapter 784 established the disabled student transportation grant and set a minimum annual increase in student transportation aid of 3%.
- 1992 Chapter 2 of the 1992 special session reduced the fiscal 1993 base grant by \$55 million; the grant for disabled students was not affected.
- 1996 Chapter 681 established a new distribution formula, beginning in fiscal 1998, providing additional aid to counties with increasing enrollments in addition to the base grant.
- 2002 Chapter 288 enhanced the base student transportation grant for 15 school systems that experienced enrollment increases from 1980 to 1995. In addition, funding for students with special transportation needs was increased from \$500 to \$1,000 per pupil over a fiscal 2004 to 2008 phase-in period.
- 2009 Chapter 487 limited the inflation increase in the student transportation formula for fiscal 2012 to 1%.
- 2010 Chapter 484 set the inflationary increase in student transportation aid at 1% for fiscal 2011 and no more than 1% for fiscal 2012 through 2015, a reduction from the 3% minimum increase that would have been required. In addition, the minimum inflationary increase for student transportation was permanently reduced from 3% to 1%.

Legal Reference: Education Article, Section 5-205

Food Service Programs

In addition to federal funds provided under the School Lunch Act of 1946, the State provides matching funds to support food and nutrition programs for low-income children. The programs provide free and reduced-price breakfasts, lunches, and snacks to public or private nonprofit school students. All public schools in the State are required to provide subsidized or free nutrition programs for eligible students.

Distribution: Eligibility for food services programs is determined by households completing an application for student meal benefits. The applications are reviewed and compared with federal poverty and income eligibility guidelines. State matching funds are allocated to school districts as a percentage of total federal funds earned for the second prior fiscal year. Exhibit 3.20 shows the estimated fiscal 2015 distribution of \$11.2 million in State funding for all food services programs.

Certain public elementary schools may be exempted from the required free and subsidized breakfast program if participation is less than 25% of the number of students eligible for free and reduced-price meals in the past three months, the school system approves an alternative nutrition program, or the school has less than 15% of its enrollment approved for free and reduced-price meals. The State free and subsidized breakfast program may be suspended if the federal reimbursement falls below a certain level.

The Maryland Meals for Achievement In-classroom Breakfast Program, established in 1999, provides a free in-class breakfast to all students enrolled in schools in which 40% or more of the students qualify for free or reduced-priced meals. Schools must be eligible and are selected to participate in the program. Funding for this program is provided in addition to the resources provided for the federal free and reduced-price meal programs. Fiscal 2015 funding for the program totals \$6.9 million, which supports 434 schools.

Beginning in fiscal 2014, Maryland was selected by the U.S. Department of Agriculture to participate in a pilot program for the Community Eligibility Option. This new program allows schools with high percentages of low-income students to provide meals at no charge to all students by calculating the school's meal reimbursement based on the number of directly certified students, as opposed to collecting benefit applications for free and reduced-price meals. Students who live in a household that receives Supplemental Nutrition Assistance Program/Food Stamps and/or Temporary Assistance for Needy Families cash assistance, are in foster care or Head Start, are migrants, or are experiencing homelessness are automatically directly certified as eligible for a free meal. The Community Eligibility Option is available in all schools or in groups of schools where 40% or more of the students meet this definition. The federal reimbursements are determined by multiplying the percentage of directly certified students by a multiplier, which is currently 1.6. The resulting number is the percentage of meals reimbursed at the "free" reimbursement rate, with the remainder of the meals being reimbursed at the "paid" rate. The SEED School of Maryland and five schools in Washington County took part in the pilot program beginning in fiscal 2014, and Somerset County began participating in fiscal 2015. It is estimated that approximately 150 to 210 schools would be eligible and could take advantage of the program if it expanded throughout the State. The Community Eligibility Option is paid for wholly by federal funds.

History of Major Changes:

- 1980 Chapter 836 established the free and reduced-price breakfast program in public elementary schools.
- 1990 Chapter 488 provided that a school could be exempted from the free and reduced-price breakfast program under certain conditions.
- 1999 Chapters 384 and 385 established the Maryland Meals for Achievement In-classroom Breakfast Program.
- 2014 Maryland began participating in the U.S. Department of Agriculture’s Community Eligibility Option pilot program, which allows schools to use an alternative approach for identifying students eligible for free and reduced-price meals.

Legal Reference: Education Article, Sections 7-601 through 7-704

Adult Education

Since 1945, the State has authorized local jurisdictions to provide day and evening classes for adults to acquire their high school diplomas or equivalent, engage in vocational training, and develop general life skills. Since 2009, the Department of Labor, Licensing, and Regulation has been responsible for the oversight of adult education services. This has allowed for improved coordination between adult education and workforce development services provided by the State. Previously, the State Department of Education administered the programs. In the majority of jurisdictions, adult education services are provided by community colleges; however, the local boards of education and other community-based organizations are also used to deliver adult education services.

Classes are provided for adults who are interested in improving basic skills in reading, writing, and math, or learning to speak and understand the English language. Adults may also prepare to earn a high school diploma through one of two options offered by Maryland for adults who have dropped out of school prior to graduating. The General Educational Development (GED) Program prepares students to take the GED tests. A diploma is awarded to Maryland residents at least 16 years of age who obtain a minimum score in the content areas of Reasoning through Language Arts, Science, Social Studies, and Mathematics. The External Diploma Program is for individuals aged 18 and older who are not enrolled in regular high school and can demonstrate essential academic competencies and life skills. Participants are expected to develop a portfolio that proves they have acquired the skills required to be awarded a Maryland High School Diploma through life and work experiences. In fiscal 2013, the GED pass rate for out-of-school youths and adults was 57%. In the same year, 72% of all adult secondary students received a high school diploma.

The largest State aid program for adult education is the Literacy Works program, which awards competitive grants to jurisdictions that provide a 25% local match based on the number of residents who have not completed high school in each jurisdiction and demonstrated program effectiveness. The waiting list for participation in diploma preparation programming exceeded 8,000 individuals in fiscal 2013.

Distribution: The State budget includes funds for Adult General Education (\$161,703 in fiscal 2015), the External Diploma Program (\$281,070), the Literacy Works Program (\$7.9 million), and the Center for Art and Technology (\$80,000). State law dictates that the annual appropriation for the External Diploma Program be at least equal to the appropriation provided for the program in fiscal 2006 (\$281,070), and the program has remained level-funded since then.

History of Major Changes:

- 1945 Chapter 545 required local school boards to provide adult education programs.
- 1978 Chapter 343 authorized full-time students to enroll in adult education programs at their own expense.
- 1989 Chapter 14 (budget bill) authorized \$685,000 for an adult literacy program to augment State grants for adult education.
- 1997 Chapter 542 required the Governor to include in the annual budget bills for fiscal 1998 through 2001 a general fund appropriation for the Maryland Adult External High School Program in an amount not less than the appropriation for fiscal 1996.
- 2002 Chapter 185 required the Maryland State Department of Education to develop a funding formula based on need and cost of instruction. Chapter 288 provided \$1.1 million in tobacco tax revenues to be used for adult education and literacy services as provided in Chapter 185.
- 2005 Chapter 305 required the fiscal 2007 and 2008 State budgets to include an increase of at least \$1.5 million over the fiscal 2005 funding level for Literacy Works grants in order to reduce the waiting list for adult education and literacy services. In addition, Chapter 305 required the Maryland State Department of Education to develop an ongoing method of funding for adult education and literacy services.

- 2006 Chapter 380 required the fiscal 2008 State budget to include an increase of at least \$1.5 million over the fiscal 2007 funding level for Literacy Works grants in order to reduce the waiting list for adult education and literacy services.
- 2008 Chapter 134 transferred adult correctional education and adult education services from the Maryland State Department of Education to the Department of Labor, Licensing, and Regulation.

Legal Reference: Labor and Employment Article, Sections 11-801 and 11-808

Teacher Quality

State aid is provided to support multiple programs designed to recruit and retain quality educators and provide them with the necessary skills to improve student achievement.

Quality Teacher Incentives

Stipends and bonuses for eligible classroom teachers were established in 1999 as a means of attracting and retaining quality teachers in Maryland's public schools. The types of stipends that qualifying school-based employees may receive, as of fiscal 2015, are:

- teachers holding certification from the National Board for Professional Teaching Standards receive a stipend from the State. The stipend is \$2,000 for those in schools with comprehensive needs and \$1,000 for those in schools not identified as having comprehensive needs. In 2005, eligibility for this stipend was extended to other school-based personnel in addition to classroom teachers; and
- a teacher with an advanced professional certificate who teaches in a school having comprehensive needs receives an annual stipend of \$1,500. A qualifying teacher must perform satisfactorily to receive the stipend.

Distribution: The distribution of Quality Teacher Incentives is determined by the number of teachers and school-based personnel in each school system who qualify for stipends and bonuses. Despite a statutory change made in 2009 that increased the required qualifications to receive an award, the number of teachers receiving funding through the program has risen dramatically, as the number of schools identified as having comprehensive needs has risen under the federal No Child Left Behind Act. The fiscal 2015 budget includes \$12.3 million for the program. This is a 216% increase since fiscal 2010 when the program received \$3.9 million.

History of Major Changes:

- 1999 Chapter 600 established Quality Teacher Incentives.
- 2002 Chapter 345 changed eligibility for the new teacher signing bonus from graduation in the top 10% of a class to a grade point average of at least 3.5 on a 4.0 scale.
- 2005 Chapter 368 extended eligibility for the national certification stipend to other school-based personnel. Previously, only classroom teachers were eligible for the stipends.
- 2009 Chapter 487 scaled the program back by limiting the number of qualifying teachers, reducing stipends, and eliminating signing bonuses for teachers who graduated with college grade point averages of 3.5 or better.

Legal Reference: Education Article, Section 6-306

National Board for Professional Teaching Standards Certification

State law established the State and Local Aid Program for Certification by the National Board for Professional Teaching Standards, which pays the certification fee of teachers who are selected to participate. The State is required to pay two-thirds of the certification fee, and the local school system that employs the selected teacher is required to pay one-third. Up to 1,000 teachers per year may be selected to participate in the program. Teachers seeking initial certification, as well as those seeking renewal, are eligible for the program. The State Board of Education is authorized to fund up to one retake of an unsuccessful entry on the assessment. The initial certification fee is \$2,500, the certification renewal fee is \$1,250, and the fee for a retake of an entry is \$350. The fiscal 2015 budget includes \$600,000 for this program.

In addition, the Teacher Quality Act of 2006 (Chapter 434) established a National Board Certified Teacher Pilot Program to specifically improve the quality of educators at Title I schools or those in need of school improvement, corrective action, or restructuring under the State's school accountability program. Selected schools are also required to have at least three teachers who agree to pursue national board certification and agree to teach at the school for at least three years. The initial pilot program identified five schools to participate. In line with the statutory mandate, \$320,000 was provided in the fiscal 2008 through 2010 budgets to support the program. Funds have been included in all subsequent budget years as a discretionary expenditure. The fiscal 2015 budget provides \$300,000 for this purpose. In addition to funding the certification fees, the State can reimburse each

school up to \$62,000 for the cost of employing a staff development teacher to assist the teachers with pursuing national certification.

Legal Reference: Education Article, Sections 6-112 and 6-118

Governor’s Award for Teacher Excellence

Each district elects an annual Teacher of the Year. The selected teacher from each district, through the Governor’s Award for Teacher Excellence program, receives \$4,000 as compensation for the year’s work that they do as Teacher Advisors across Maryland, spokespersons for education, education ambassadors in Maryland, and advisors to the Maryland State Department of Education and the State Superintendent. In addition, all local Teachers of the Year have monthly programs that they attend across the State and this monetary award gives them the resources for travel, hotel, and meals if needed. The annual appropriation for this program totals \$96,000.

Other Programs

Digital Learning Innovation Fund (\$3.5 million in fiscal 2015): This fund supports competitive grants to local school systems to create digital learning environments such as multimedia assets to students and teachers; differentiated instruction; differentiated assignments and materials for students advancing at different paces; training and support to educators and students; and offering more current information than traditional textbooks on an ongoing basis. Funds were first provided in the fiscal 2014 State budget. Fiscal 2015 budget language requires the funds to be distributed to local education agencies in need of funds to accelerate their transition to digital learning and upgrade their information technology infrastructure to be compatible with and to implement the Partnership for Assessment of Readiness for College and Careers tests online.

With the implementation of a new State curriculum, known as the Maryland College- and Career-Ready Standards, and online assessments developed by the Partnership for Assessment of Readiness for College and Careers, ensuring the technological readiness of school facilities is of increasing importance. The new assessments must be administered fully online by the 2017-2018 school year; however, a 2013 report from the Maryland State Department of Education indicated that approximately 14% of local school systems could not meet the technological requirements needed to fully administer the new assessments online. The General Assembly continues to monitor the technological readiness and needs of the public schools for implementing the new assessments.

Early College Innovation Fund (\$1.4 million in fiscal 2015): The Early College Innovation Fund was established in the fiscal 2014 State budget to provide bridge funding to support the start-up costs associated with creating new early college programs that provide accelerated pathways for students seeking career and technical education or training in science, technology, engineering, and math (STEM) disciplines. The Maryland State Department of Education makes competitive grants to partnerships of local school systems and higher education institutions that are formed to create early college high schools and other forms of early college access.

School-based Health Centers (\$2.6 million in fiscal 2015): School-based health centers were transferred from the Office for Children, Youth, and Families to the Maryland State Department of Education by Chapter 585 of 2005. The centers provide primary medical care as well as social, mental health, and health education services for students and their families. As of July 2014, there were 77 school-based health centers located in 12 Maryland school systems. School-based health centers are located in elementary, middle, high, and special schools.

Fine Arts Grants (\$731,530 in fiscal 2015): Fine arts grants are provided to school systems to help teachers and administrators integrate arts education throughout the curriculum.

School Wiring (\$42,102 in fiscal 2015): Under the Technology in Maryland Schools program, the State entered into a Master Lease Purchase Financing Agreement in 2001 to finance the wiring of all public schools for Internet access. The projects were completed during the 2001-2002 school year. The payments are estimated to total \$50.9 million over the full term of the lease. The \$42,102 budgeted for fiscal 2015 reflects the final payment for the program.

Lacrosse Opportunities Grant (\$40,000 in fiscal 2015): Chapter 706 of 2012 established a grant program to provide funding to increase opportunities for minority students to participate in lacrosse in their communities. Local school systems serving student populations at least 80% of which are “minority students” may receive grants under the program. State law requires a mandated appropriation of at least \$40,000 annually.

County Funding of Local School Systems

Unlike many other states, Maryland’s school systems do not have independent taxing authority. Instead, they rely on the counties, including Baltimore City, for a significant share of their funding. Historically, counties have accounted for more than half of total funding for Maryland school systems. One of the goals of the Bridge to Excellence

in Public Schools Act of 2002 was to move toward a school finance system in which the State and counties are more equal partners in their contributions to public schools.

Maintenance of Effort Requirement

Minimum annual appropriations from each county (including Baltimore City) to the local school system are governed by a maintenance of effort provision under State law. This provision requires each county to provide, at a minimum, the greater of (1) the local share of the foundation amount, which is a uniform percentage of the local wealth base applicable to all counties; or (2) the per pupil amount provided by the county in the previous year. Counties may request that nonrecurring costs be excluded from the per pupil calculation subject to State board approval. Historically, county contributions to local school boards have exceeded the local share of the foundation, so providing at least as much funding per pupil as was provided in the previous fiscal year has been the higher threshold for counties to meet. In most years counties have also exceeded the higher maintenance of effort requirement. However, in times of fiscal constraint meeting maintenance of effort becomes an issue.

In 1996, the State enacted Chapter 175 to allow county governments to apply to the State Board of Education for a one-year waiver from the maintenance of effort requirement. To approve a waiver, the State board must find that the county showed, by a preponderance of evidence, that its “fiscal condition significantly impedes the county’s ability to fund the maintenance of effort requirement.” A separate piece of legislation, Chapter 72, was also enacted in 1996 that granted a one-time waiver to Wicomico County. No county applied for a waiver until 2009, when three counties applied for waivers from their fiscal 2010 maintenance of effort levels. Although the State board denied all three fiscal 2010 applications, ultimately two counties failed to meet the requirements. At that time, if a county did not meet the maintenance of effort requirement, any *increase* in State education aid to the local school board would be withheld. However, legislative action prohibited a penalty against these two counties – Montgomery and Prince George’s.

Two counties – Montgomery and Wicomico – applied for fiscal 2011 waivers, and approval of both applications represented the first time the waiver process was used to successfully reduce maintenance of effort funding levels. Six counties expressed intent to apply for a waiver in fiscal 2012. However, due to State fiscal constraints, many counties did not receive an increase in State funds. Therefore, there was no penalty for reducing funding below the locally required amount for those counties. Because of this dynamic, the counties decided to bypass the waiver process and, ultimately, seven counties rebased their school appropriations below the required maintenance of effort amounts in fiscal 2012. This caught the attention of legislators and resulted in renewed interest in a comprehensive evaluation of the State’s law.

Many of the issues that had arisen were addressed in Chapter 6 of 2012, which altered the maintenance of effort penalty, the waiver process, and the calculation of annually required amounts. Under Chapter 6, if a county does not receive a waiver and does not provide the required funding to the local school board, the State will intercept the county's local income tax revenues in the amount by which the county was below the required amount and forward the funds directly to the local school board, thus ensuring that annual maintenance of effort funding will be provided to that local school board.

Additionally, three avenues to receive a waiver were created by Chapter 6. First, a one-year waiver is available if the State board approves the request after evaluating nine factors enumerated in statute, which includes experiencing a broad economic downturn (much like the 2007-2009 great recession). Previously, a county had to show that it had a more severe economic downturn than other counties. Second, after receiving a one-year waiver, a county may request a waiver that allows the county to permanently reduce its required payment. This is known as a rebasing waiver. The rebasing waiver requires a county to demonstrate ongoing problems with meeting maintenance of effort through an additional set of factors the State board must consider and allows for limited decreases in the county's required amount. Finally, the State board is required to grant a waiver request when a county and the local school board have agreed to reductions in recurring costs and have agreed on the amount of the waiver. The agreed upon waiver amount may be less than the total amount of savings generated through the reduction in recurring costs but may not exceed the savings.

Unless a county received a rebasing waiver or a waiver for reductions in recurring costs, Chapter 6 set the county's per pupil maintenance of effort amount for the following year at the per pupil amount the county provided in the most recent year in which it met maintenance of effort. However, Chapter 6 and the Budget Reconciliation and Financing Act of 2012 granted rebasing waivers to the fiscal 2012 level to counties that maximized their local taxing authority; three counties (Montgomery, Queen Anne's, and Wicomico) utilized this provision. Chapter 6 also required that, beginning in fiscal 2015, a county that is below the statewide five-year moving average education effort level must increase its per pupil maintenance of effort amount by the lesser of (1) the increase in local wealth per pupil; (2) the statewide average increase in local wealth per pupil; or (3) 2.5%. After the enactment of Chapter 6, all counties have met the maintenance of effort requirement since 2013.

County Per Pupil Appropriations

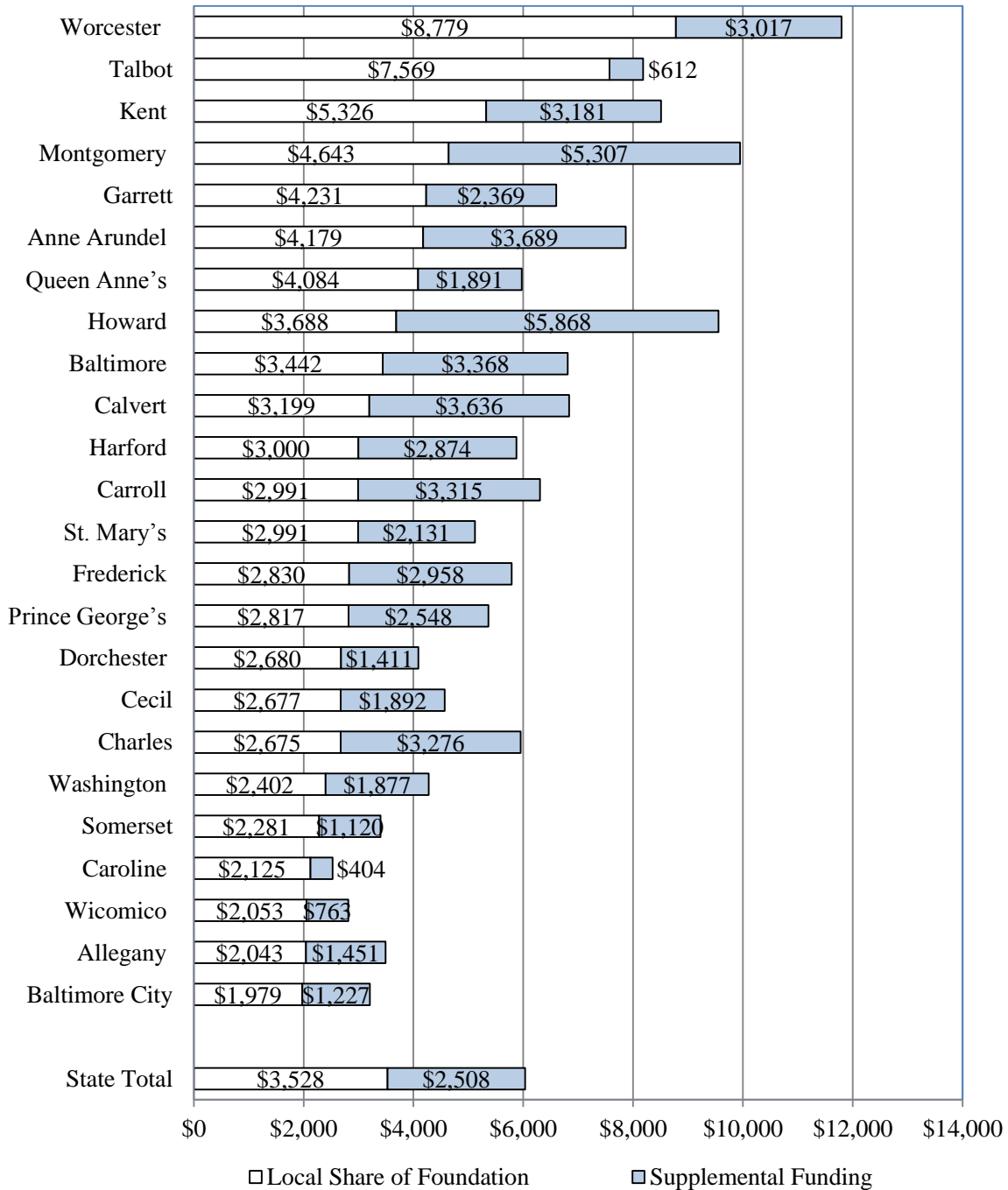
Exhibit 3.22 shows per pupil county appropriations in fiscal 2013, the most recently available year of actual local spending, and indicates the amounts attributable to the local share of the foundation and to funding above the local share of the foundation. Counties

are sorted by local wealth per pupil, highest to lowest, in the chart. The chart demonstrates the relationship between wealth and the local share of the foundation and also shows that the amounts counties provide in excess of the local share of the foundation vary and are not as closely related to local wealth. For example, the per pupil local share of the foundation program for Cecil and Charles counties is nearly identical (because wealth per pupil in the two counties is nearly identical); however, Charles County provides almost twice as much supplemental funding as Cecil County. As a result, Charles County provides \$5,951 per student to the local school system, while Cecil County provides \$4,569 per student. Statewide, 58% of the \$6,036 per pupil that counties contributed to schools in fiscal 2013 was attributable to the local share of the foundation program.

Local Education Effort

Ultimately, the amount of funding that counties provide is based on two factors: local tax capacity and the extent to which this capacity is used to support education. As discussed above, all counties are required to contribute a uniform percentage of their local wealth to public education as the local share of the foundation. The local share of the foundation represents a specific effort level. Counties then determine how much funding they provide over the amount required for the local share of the foundation. All counties provide some funding over the local share of the foundation, but the amount of supplemental funding each county provides is a local decision that is made over a number of years (since the maintenance of effort provision requires per pupil funding levels to remain at least equivalent from one year to the next). Exhibit 3.23 compares per pupil county appropriations to per pupil county wealth and shows the proportion of each county's wealth base used to support education. The exhibit shows that fiscal 2013 local effort levels ranged from 0.75% of local wealth in Talbot County to 1.80% in Howard County. As a result of this variance, Howard County provided more per pupil funding for the local school system than Talbot County despite Talbot County having more than double the per pupil wealth of Howard County.

Exhibit 3.22
Per Pupil Local Appropriations to Boards of Education
Fiscal 2013



Source: Department of Legislative Services; Local School System Audited Financial Statements, Fiscal 2013

Exhibit 3.23
Local Funding Effort
Fiscal 2013

County	Wealth per Pupil	Per Pupil Appropriation	Local Effort (Appropriation/Wealth)
Allegany	\$293,334	\$3,493	1.19%
Anne Arundel	600,048	7,867	1.31%
Baltimore City	284,178	3,205	1.13%
Baltimore	494,343	6,811	1.38%
Calvert	459,368	6,835	1.49%
Caroline	305,212	2,529	0.83%
Carroll	429,480	6,306	1.47%
Cecil	384,435	4,569	1.19%
Charles	384,172	5,951	1.55%
Dorchester	384,910	4,091	1.06%
Frederick	406,354	5,788	1.42%
Garrett	607,653	6,600	1.09%
Harford	430,762	5,873	1.36%
Howard	529,592	9,556	1.80%
Kent	764,790	8,507	1.11%
Montgomery	666,722	9,950	1.49%
Prince George's	404,497	5,365	1.33%
Queen Anne's	586,497	5,975	1.02%
St. Mary's	429,455	5,122	1.19%
Somerset	327,519	3,401	1.04%
Talbot	1,086,948	8,181	0.75%
Washington	344,933	4,279	1.24%
Wicomico	294,809	2,816	0.96%
Worcester	1,260,728	11,845	0.94%
Statewide	\$485,451	\$6,675	1.38%
<i>Simple Average of Local Effort:</i>			<i>1.22%</i>

Note: Local wealth is based on September 1 net taxable income data.

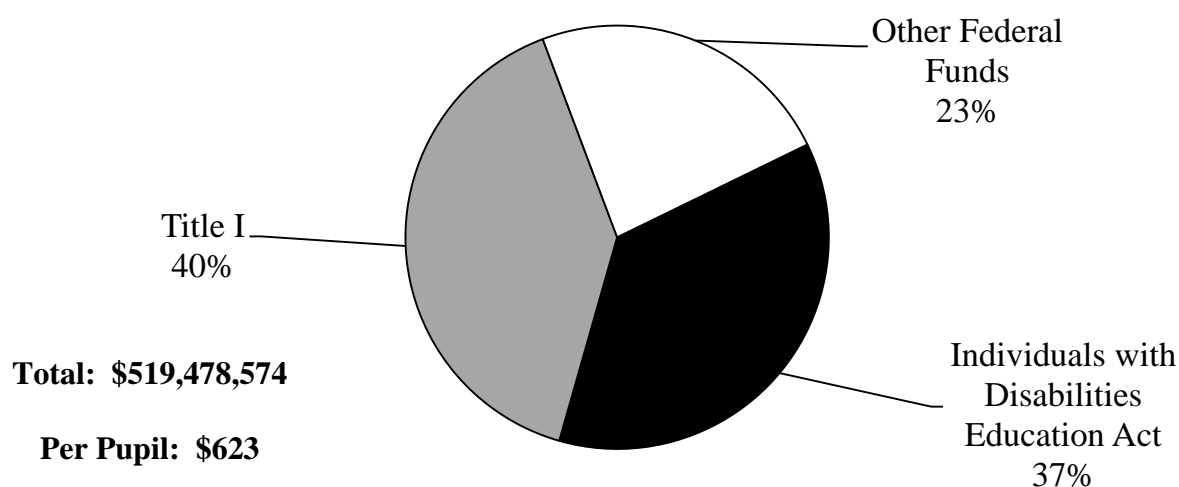
Source: Department of Legislative Services

Federal Funding for Local School Systems

Historically, federal education aid has accounted for approximately 5% of the funding for Maryland's local school systems, although the amounts and the shares vary depending on the local school system. In fiscal 2015, estimated federal education aid accounts for 7% of the total aid to education budget largely due to an infusion of Race to the Top funding. Beginning in fiscal 2011, Maryland was awarded a total of \$250 million over four years in the competitive federal Race to the Top grant program. Of this amount, \$125 million was provided for State-level projects administered by the State Department of Education and \$125 million was provided to the 22 counties that signed on to Race to the Top (Montgomery and Frederick counties did not participate). The first year of the grant was fiscal 2011 and the final year was expected to be fiscal 2015. However, the federal government granted Maryland a one-year extension so that some funds can be used in fiscal 2016.

Because most federal support is targeted to economically disadvantaged and disabled children, school systems with larger proportions of these students generally get more federal aid. Exhibit 3.24 shows federal funds provided through the Individuals with Disabilities Education Act; Title I of the Elementary and Secondary Education Act, which provides additional resources for the education of economically disadvantaged children; and other federal grants and programs. Federal assistance for educationally deprived children represents the largest proportion of federal education aid in fiscal 2015 (40%). The State receives more than \$207 million in Title I assistance. Funding to educate students with disabilities accounts for 37% of total federal education funding in fiscal 2015, providing approximately \$190 million for this purpose. Other federal grants and programs, such as technology literacy, English language acquisition, Reading First, Improving Teacher Quality, etc., account for 23% of the estimated federal aid for fiscal 2015, providing local jurisdictions with \$122 million. Based on the September 2013 enrollment, federal funds per pupil average \$623 across the State.

Exhibit 3.24
Federal Education Funding
Fiscal 2015 Estimated



Note: Federal funds for early childhood education programs and food services are not included.

Source: *Fiscal 2015 State Budget Books*; Department of Legislative Services

Local School System Expenditures

Local school systems are dependent on federal, State, and local governments for revenues, but they have a great deal of discretion in how the revenues are spent. Although some funding is restricted in how it is used (particularly federal aid), the vast majority of funding for local boards of education is unrestricted. Local boards of education adopt budgets for each fiscal year using the revenues available to them, as discussed in more detail in Chapter 2 of this volume.

Expenditure Categories

Primary and secondary education operating expenditures totaled \$11.9 billion in fiscal 2013, the most recent year actual data is available, as shown in Exhibit 3.25. As would be expected, instructional outlays were the single largest component of operating budgets, accounting for \$4.5 billion or 37.8% of operating spending. Special education expenditures amounted to approximately \$1.5 billion, or another 12.4% of expenditures. Taken together, these two instructional expenditure categories account for a majority of school system budgets.

Exhibit 3.25
Local School System Expenditures
Fiscal 2013
(\$ in Thousands)

<u>Expenditure Category</u>	<u>Amount</u>	<u>Percent of Total</u>
Instruction	\$4,509,602	37.8%
Fixed/fringe ¹	3,139,514	26.3%
Special Education	1,482,439	12.4%
Plant	947,836	7.9%
Mid-level Administration	738,213	6.2%
Transportation	591,912	5.0%
Administration	320,198	2.7%
Other ²	210,561	1.8%
Total Expenditures	\$11,940,275	

¹Includes \$755 million in State paid retirement costs.

²Includes student personnel services, health, capital outlay, community services, school activities, food service, and other programs.

Source: Local School System Audited Financial Statements, Fiscal 2013; Maryland State Department of Education; Department of Legislative Services

Fixed/fringe benefits are the next largest category at slightly over one-quarter of the total or \$3.1 billion, which includes the costs of health insurance, retirement, and other benefits for all school system employees. Administration and mid-level administration categories accounted for almost \$1.1 billion combined, or 8.9% of fiscal 2013 operating expenditures. Plant operations make up nearly \$950 million, approximately 7.9% of expenditures, and transportation is 5.0%, or approximately \$600 million of education expenditures.

Per Pupil Expenditures

Exhibit 3.26 shows that per pupil spending statewide rose from \$7,996 in fiscal 2002, before implementation of the Bridge to Excellence, to \$14,421 in fiscal 2013. This represents an average annual growth of 5.5% statewide, although the average annual rate of growth varied from a low of 4.0% in Queen Anne's County to a high of 6.2% in Worcester County. The exhibit also shows that the ratio of per pupil spending in the highest spending district to per pupil spending in the lowest spending district was 1.43 to 1 in fiscal 2013. In other words, per pupil spending in Worcester County was 43% higher than it was in Queen Anne's County.

Exhibit 3.26
Education Operating Expenditures per Pupil
Fiscal 2002, 2009, and 2013

	<u>2002</u>	<u>2009</u>	<u>2013</u>	<u>Average Annual Growth 2002-2013</u>
Allegany	\$8,007	\$13,571	\$14,735	5.7%
Anne Arundel	8,022	12,438	13,354	4.7%
Baltimore City	9,374	14,969	16,578	5.3%
Baltimore	8,419	12,591	13,779	4.6%
Calvert	7,467	12,133	13,634	5.6%
Caroline	7,073	11,230	13,014	5.7%
Carroll	7,304	12,077	13,108	5.5%
Cecil	7,222	11,548	12,954	5.5%
Charles	7,266	11,852	13,390	5.7%
Dorchester	7,872	12,302	13,660	5.1%
Frederick	7,350	12,028	13,696	5.8%
Garrett	8,063	12,326	14,022	5.2%
Harford	7,109	11,891	13,093	5.7%
Howard	8,749	14,274	15,242	5.2%
Kent	9,441	14,164	15,691	4.7%
Montgomery	9,833	15,287	15,480	4.2%
Prince George's	7,961	13,628	14,813	5.8%
Queen Anne's	7,745	11,117	11,938	4.0%
St. Mary's	7,499	11,544	12,952	5.1%
Somerset	8,594	14,061	14,651	5.0%
Talbot	7,827	11,269	12,567	4.4%
Washington	7,474	11,635	12,745	5.0%
Wicomico	7,428	11,830	13,337	5.5%
Worcester	8,816	15,164	17,093	6.2%
Total	\$7,996	\$12,705	\$14,421	5.5%

Source: *Selected Financial Data, 2001-2002 and 2008-2009, Part 2 – Expenditures*, Maryland State Department of Education; Local School System Audited Financial Statements, Fiscal 2013; Maryland State Department of Education; Department of Legislative Services

Although some attempt to minimize spending disparities is necessary, disparities are expected and in some cases desirable. For example, school systems with large proportions of at-risk students can be expected to spend more in order to achieve the same results as reflected in the State's adequacy model and the adequacy targets for each school system. State and federal aid programs provide additional funding based on enrollments of at-risk students and, therefore, contribute to some spending disparities. In addition, school systems that are subject to higher educational resource costs can be expected to spend more just to acquire the same resources as lower-cost systems.

Wealth equalization of State aid helps to mitigate disparities resulting from differences in local tax capacity, but it does not eliminate these disparities entirely. Another factor related to local wealth that contributes to spending disparities is local education tax effort. A school system that receives a lower level of county support can expect to spend less than a system in a county that provides a greater level of funding relative to its capacity. This effect can also be seen in the levels of supplemental funding above the required local share of foundation by county in Exhibit 3.22.

Aid to Nonpublic Schools

The State provides some aid to nonpublic schools for textbooks, computer hardware, and computer software that are secular (*i.e.*, nonreligious) in character and acceptable for use in any public elementary or secondary school in Maryland for use by students in eligible schools. The Maryland State Department of Education administers the program and assures that the purchases are made from a list of qualified vendors and that the savings are used by the schools to reduce the cost of textbooks and computer hardware and software for students. To be eligible to participate in the program, a nonpublic school must hold a certificate of approval or be registered with the State Board of Education; not charge more tuition than the statewide average per pupil expenditure by local education agencies, as calculated by the department; and comply with Title VI of the Civil Rights Act of 1964, as amended. Participating schools receive up to \$65 per student, except that schools with at least 20% of their students eligible for free and reduced-price meals receive \$95 per student. The program began in fiscal 2001 and is funded by the State's tobacco settlement deposited in the Cigarette Restitution Fund. The fiscal 2015 appropriation for the program is \$6.0 million.

Public School Construction Program

The State gradually assumed local public school construction costs prior to 1971. The pre-1971 program provided direct payment to local governments for principal and interest on State general public school construction loan bonds and local public school construction bonds issued or obligated prior to June 30, 1967. In 1971, the State adopted a new program under which the State reimbursed the counties for (1) the full approved cost of all construction of public elementary and secondary schools for which contracts were let after July 1, 1971; (2) the full cost of debt service obligations incurred for contracts signed between February and June 1971; and (3) debt service requirements for obligations outstanding as of June 30, 1967. From 1971 to 1986, various changes were made to the program that increased the local share of school construction costs. These included reducing State participation in school renovation projects, eliminating State funding for administrative office construction, establishing a maximum State construction allocation, and requiring local governments to assume any project costs exceeding the State's maximum construction allocation.

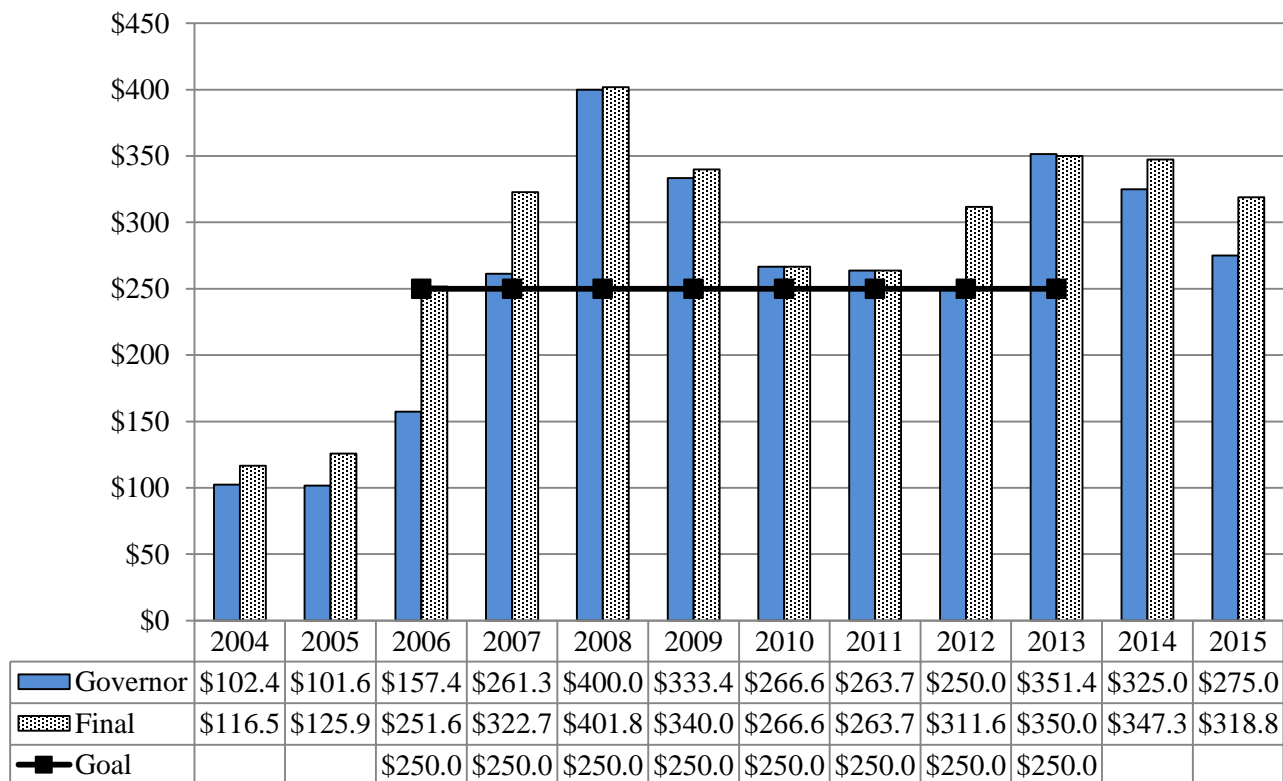
In fiscal 1989, upon approval by the Board of Public Works, the State adopted a State and local shared school construction program based on the recommendations of the 1987 Task Force on School Construction. The task force recommended that the State's share for each county relate inversely to the county's wealth, so that the higher the county's wealth, the lower the State's share of costs.

The 1993 Governor's Task Force on School Construction expressed support for many of the existing practices and policies, while recommending an update of the State/local cost shares adopted in 1989. Other recommendations made by the task force included funding small systemic renovations costing between \$50,000 and \$100,000; reducing the elementary school class size used in the State-rated capacity formula; including space for prekindergarten students in projects eligible for State funding; and increasing overall school construction funding over the next five years to at least \$100 million annually.

The Bridge to Excellence in Public Schools Act of 2002 established the Task Force to Study Public School Facilities to review the adequacy and equity of the State's public school construction program. The task force assessed the condition of public schools across the State and evaluated State construction funding in light of the educational programs required by the Act. Upon completion of its work, the task force recommended extensive changes to the public school construction program, which were implemented by Chapters 306 and 307 of 2004, the Public School Facilities Act.

One of the most significant provisions of the 2004 legislation was a statement of intent by the Governor and General Assembly to fund a minimum of \$3.85 billion over eight years for public school construction (\$2.0 billion by the State and \$1.85 billion by local governments), requiring a State commitment of \$250 million annually from fiscal 2006 to 2013. As shown in Exhibit 3.27, since fiscal 2006, State funding for school construction has exceeded this goal. The fiscal 2008 total of \$401.8 million was the highest one-year funding amount for public school construction since the program began in 1971. The fiscal 2011 to 2015 State total is \$1.6 billion. The county-by-county distribution of this funding is shown in Exhibit 3.28.

Exhibit 3.27
State Funding for School Construction
Fiscal 2004-2015
(\$ in Millions)



Note: Includes new general obligation bonds, pay-as-you-go funds, and reallocated funds that were previously authorized. “Governor” reflects the amount included in the Governor’s capital budget bill and “Final” reflects the final amount allocated by the Board of Public Works.

Source: Public School Construction Capital Improvement Programs, Fiscal 2004-2015

Exhibit 3.28
Public School Construction Funding
Fiscal 2011-2015
(\$ in Thousands)

County	2011	2012	2013	2014	2015	Total
Allegany	\$842	\$727	\$1,999	\$2,496	\$6,597	\$12,661
Anne Arundel	26,200	32,400	33,349	34,870	36,200	163,019
Baltimore City	28,559	41,000	46,102	40,266	35,329	191,256
Baltimore	29,000	39,000	47,394	52,068	34,561	202,023
Calvert	8,450	7,317	7,129	5,577	2,653	31,126
Caroline	3,767	235	756	7,788	0	12,546
Carroll	8,444	9,079	15,211	4,874	3,915	41,523
Cecil	1,744	2,830	1,915	1,268	8,194	15,951
Charles	8,335	9,180	12,480	9,426	8,200	47,621
Dorchester	5,436	3,639	979	1,590	768	12,412
Frederick	14,000	16,532	19,254	20,163	15,901	85,850
Garrett	0	382	319	134	0	835
Harford	13,835	17,040	16,573	13,214	12,791	73,453
Howard	18,290	26,936	32,811	25,931	20,772	124,740
Kent	0	104	123	95	817	1,139
Montgomery	30,183	42,000	43,794	38,592	39,950	194,519
Prince George's	29,500	40,348	42,192	39,371	38,539	189,950
Queen Anne's	5,750	5,374	649	4,371	5,112	21,256
St. Mary's	6,600	3,354	3,172	7,472	11,876	32,474
Somerset	6,000	3,371	289	3,811	2,752	16,223
Talbot	344	135	35	634	0	1,148
Washington	7,970	8,571	9,117	8,494	7,467	41,619
Wicomico	9,975	1,864	11,290	13,327	10,991	47,447
Worcester	0	165	166	4,882	0	5,213
School for the Blind			2,800	6,063	14,733	23,596
Unallocated	500		100	500	660	1,760
Total	\$263,724	\$311,583	\$349,998	\$347,277	\$318,778	\$1,591,360

Note: Includes new general obligation bonds, pay-as-you-go funds, and reallocated funds that were previously authorized. Counties receiving \$0 did not request any eligible projects to be funded in that year. A \$47.5 million supplementary appropriation is included in fiscal 2012. The Maryland School for the Blind became eligible for funds in fiscal 2013. Fiscal 2013 includes \$25 million in Energy Efficiency Initiative funding. Fiscal 2014 includes \$25 million in pay-as-you-go funds for school security improvements and \$25 million in general obligation bond funds for the Air Conditioning Initiative. Does not include Aging Schools or Qualified Zone Academy Bond funds. Unallocated includes funds for the State outsourcing of design reviews.

Source: Public School Construction Program; Department of Legislative Services

The Public School Facilities Act also directed the Board of Public Works to adopt a new State and local cost-share formula recommended by the task force (discussed below). Other provisions of the Act clarified the procedures used by the Interagency Committee on School Construction for allocating funding and reverting unused funds to the statewide contingency fund; established an emergency repair fund; made the Interagency Committee on School Construction subject to the Administrative Procedures Act; and required the Board of Public Works to adopt regulations by July 2005 implementing various provisions of the law, including reducing the State-rated classroom capacity for grades 1-5 to 23 students per classroom.

Some school construction costs or projects are exclusively the responsibility of the local jurisdiction. They include site acquisition; architectural and engineering fees; utility connections; regional or central administrative offices; permits; and movable furniture and equipment.

The State funds its share of school construction primarily through the issuance of general obligation bonds. In some years, funds for school construction are included in the State's operating budget as pay-as-you-go funding. The fiscal 2015 funding of \$318.8 million authorized by the General Assembly includes general obligation bonds and unexpended amounts in the contingency fund that were authorized in prior years.

Distribution: The Interagency Committee on School Construction oversees the school construction program and operates under the authority of the Board of Public Works. The State Superintendent of Schools chairs the committee, which also includes the Secretary of General Services, the Secretary of Planning, and two public members appointed by the Presiding Officers of the General Assembly. Each October, the Governor announces the preliminary allocation of funding for public school construction for the upcoming fiscal year. The interagency committee transmits this information to the local jurisdictions and requests their annual and five-year capital improvement programs.

Each October and November, interagency committee staff recommend to the committee which projects requested by the local jurisdictions should be funded based on certain criteria. Only projects designated as A (funded) or B (ready to go) on the Public School Construction Program's ABC list are eligible for funding. In December, the interagency committee decides which of those projects should be recommended to the Board of Public Works for approval.

The interagency committee must recommend an initial allocation of 75% of the Governor's preliminary allocation for school construction before December 31 of each year. In January, the Board of Public Works hears appeals from the local jurisdictions and votes on interagency committee recommendations. The list of projects approved by the

Board of Public Works becomes part of the Governor’s proposed capital budget submitted to the General Assembly for approval. Beginning in 2008, the interagency committee was required to submit recommendations by March 1 equal to 90% of the school construction allocation submitted by the Governor in the capital budget. In May, the Board of Public Works allocates any remaining school construction funds to school construction projects based on recommendations from the interagency committee. Prior to 2005, the Board of Public Works had the sole authority to make final decisions.

The Public School Facilities Act of 2004 established the State and local cost-share formula to be used for public school construction beginning in fiscal 2006. The new provisions replaced a cost-share formula that had been established in 1993 to allocate funding, with the exception of special adjustments made for Baltimore City and Prince George’s County. The new cost-share formula takes multiple factors into account, including local wealth, at-risk student populations, enrollment growth, economic condition of the county, and local effort for school construction. No county receives less than a 50% share from the State. The formula is updated every three years for incremental changes in local wealth and other factors. Any jurisdiction in which the State share is reduced by more than 5% has a phased-in implementation of the new allocation over two or three years. Exhibit 3.29 shows the fiscal 2015 State share of eligible school construction costs. The formula is being updated for fiscal 2016 through 2018.

Exhibit 3.29
State Share of Eligible Costs for School Construction
Fiscal 2015

<u>50%</u>	<u>55-60%</u>	<u>61-70%</u>	<u>71-89%</u>	<u>90+%</u>
Anne Arundel	Calvert (56)	Prince George’s (62)	Washington (71)	Allegany (93)
Baltimore	Carroll (58)	Charles (63)	Caroline (78)	Baltimore City (93)
Garrett	Howard (60)	Harford (63)	Somerset (82)	Wicomico (96)
Kent	Frederick (60)	St. Mary’s (64)		
Montgomery		Cecil (69)		
Queen Anne’s		Dorchester (69)		
Talbot				
Worcester				

Source: Public School Construction Program; Department of Legislative Services

Aging Schools Program

The Aging Schools Program was initially established by Chapter 105 of 1997, the Baltimore City-State Partnership legislation, which originally provided \$4.4 million for the program and specific allocations for local school systems. Funding is specified in Section 5-206 of the Education Article and provides a specific amount based on each school system's share of older space as compared to statewide totals. Originally, the basis of allocation was the proportion of pre-1960 square footage that had not been renovated. In Chapters 306 and 307 of 2004, the basis of allocation was changed in fiscal 2006 to the proportion of pre-1970 square footage that had not been renovated. Matching local funds are not required for the program. Eligible Aging Schools Program expenditures include asbestos and lead paint abatement; upgrading of fire protection systems and equipment; plumbing; roofing; upgrade of heating, ventilation, and air conditioning systems; site redevelopment; wiring schools for technology; and renovation projects related to education programs and services.

Originally funded with operating funds, the Aging Schools Program has been funded with State general obligation bonds since fiscal 2010. Funding for the program has been mandated at \$6.1 million annually since fiscal 2010. Previously, the program was funded at a higher level and received annual inflationary adjustments. However, the General Assembly has provided additional funding in some years. Beginning in fiscal 2012 either general funds or general obligation bonds may be used to fund the program; although, in practice, general obligation funds have been used in recent years.

As shown in Exhibit 3.30, in fiscal 2011 and 2012, the Aging Schools Program received \$6.1 and \$8.6 million, respectively. However, this amount was increased in fiscal 2013 to \$31.1 million with \$25.0 million in additional one-time funding. The Aging Schools Program received \$8.1 and \$6.1 million, respectively, in the fiscal 2014 and 2015 capital budgets.

Exhibit 3.30
Aging Schools Program
Fiscal 2011-2015

	2011	2012	2013	2014	2015
Allegany	\$97,791	\$137,810	\$497,984	\$97,791	\$97,791
Anne Arundel	506,038	713,128	2,576,913	506,038	506,038
Baltimore City	1,387,924	1,231,993	7,067,769	1,387,924	1,387,924
Baltimore	874,227	1,955,915	4,451,853	2,874,227	874,227
Calvert	38,292	53,948	194,996	38,292	38,292
Caroline	50,074	70,566	254,993	50,074	50,074
Carroll	137,261	193,433	698,978	137,261	137,261
Cecil	96,024	135,320	488,986	96,024	96,024
Charles	50,074	70,566	254,993	50,074	50,074
Dorchester	38,292	53,962	194,996	38,292	38,292
Frederick	182,622	257,358	929,972	182,622	182,622
Garrett	38,292	53,962	194,996	38,292	38,292
Harford	217,379	306,339	1,106,966	217,379	217,379
Howard	87,776	123,697	446,984	87,776	87,776
Kent	38,292	53,962	194,996	38,292	38,292
Montgomery	602,651	849,278	3,068,898	602,651	602,651
Prince George's	1,209,426	1,704,368	6,158,798	1,209,426	1,209,426
Queen Anne's	50,074	70,566	254,993	50,074	50,074
St. Mary's	50,074	70,566	254,993	50,074	50,074
Somerset	38,292	53,962	194,996	38,292	38,292
Talbot	38,292	53,962	194,996	38,292	38,292
Washington	134,904	190,111	686,976	134,904	134,904
Wicomico	106,627	150,262	542,980	106,627	106,627
Worcester	38,292	53,962	194,996	38,292	38,292
Total	\$6,108,990	\$8,608,996	\$31,109,001	\$8,108,990	\$6,108,990

Source: Department of Legislative Services

Nonpublic Aging Schools Program

The fiscal 2014 capital budget included \$3.5 million in general obligation bonds to support a new Nonpublic Aging Schools Program to provide grants for school construction projects eligible under the Aging Schools Program, including school security improvements. Only nonpublic schools that met the eligibility requirements for the Aid to

Nonpublic Schools Program for textbooks and computer hardware and software were eligible. Funds were distributed on a per-student basis, with a maximum of \$35 per student, except at schools with at least 20% of students eligible for free or reduced-price meals, which received \$50 per student. Each school received at least \$5,000. Due to fewer applications than expected, the total funding was reduced to \$3.0 million. The Nonpublic Aging Schools Program was funded at \$3.5 million in fiscal 2015, but the distribution of the funds was changed. Eligible nonpublic schools, excluding preschools, may receive up to \$100,000 if the following three criteria are met as required in the fiscal 2015 capital budget:

- at least 20% of a school's students are eligible for free or reduced-price meals;
- tuition charged to students is less than the statewide average per pupil expenditure for public schools as calculated by the Maryland State Department of Education; and
- the school facility has an average age of at least 50 years.

Schools meeting one of the three criteria may receive up to \$25,000. Schools meeting two of the three criteria may receive up to \$75,000. Schools that meet none of the criteria specified above but have a school facility with an average age of 16 years or more may receive up to \$5,000.

Qualified Zone Academy Bonds

As of December 2013, Maryland has issued \$87.6 million in Qualified Zone Academy Bonds allocated by the federal government to Maryland. Qualified Zone Academy Bonds are an alternative bond program that the federal government authorizes with bond holders receiving federal tax credits in lieu of interest. Financial institutions, insurance companies, and investment houses are the only entities allowed to purchase the bonds. Qualified Zone Academy Bond funds may only be used in schools located in a federal Enterprise or Empowerment Zone or in schools in which at least 35% of the student population qualifies for free or reduced-price meals. Maryland first authorized the sale of Qualified Zone Academy Bonds in Chapter 322 of 2000 with nine authorized issuances since then, including one in each of fiscal 2011 through 2015.

Federal requirements presented challenges for some school systems in expending their Qualified Zone Academy Bond funds. School systems must have a 10% private-sector match, some school systems may not have enough qualifying schools (with at least 35% of students who qualify for free and reduced-price meals) to use large amounts

of Qualified Zone Academy Bonds, and funds issued beginning in 2008 must be encumbered within six months and spent within three years of the date of issuance.

To help speed up spending and broaden the reach of Qualified Zone Academy Bonds, the General Assembly authorized a total of \$40.3 million in Qualified Zone Academy Bond funds in fiscal 2012 through 2015 to be allocated as follows: (1) a portion of the Qualified Zone Academy Bond funds to local school systems for the Maryland State Department of Education's Breakthrough Center projects; and (2) the balance of the funds through competitive applications from eligible school systems and eligible charter schools. The Breakthrough Center's focus is to efficiently coordinate the Maryland State Department of Education's resources for concentrations of low performing schools in school systems, primarily in Baltimore City and Prince George's County.

Baltimore City School Construction

A June 2012 report, commissioned by the Baltimore City Board of School Commissioners and conducted by Jacobs Project Management, examined the condition of Baltimore City public school facilities and identified \$2.4 billion worth of facility deficiencies over the next 10 years. Of that, \$1.4 billion represents current needs, and \$1.0 billion represents 10-year life cycle deficiencies. Specifically, the report noted that 23% of Baltimore City school buildings were built before 1946, making them the oldest school facilities in the State, with more than two-thirds in very poor condition. The 10-year plan adopted by the Baltimore City board that resulted from the Jacobs report includes vacating 26 buildings, substantially renovating or replacing 49 buildings, and renovating 87 buildings.

To address the outstanding school facility deficiencies in Baltimore City, Chapter 647 of 2013 allocated \$20 million in annual State lottery proceeds and \$40 million in annual Baltimore City and school board revenues to support a multi-year \$1.1 billion public school construction and renovation initiative in Baltimore City. Subject to the approval of the Board of Public Works and a four-party memorandum of understanding by the Maryland Stadium Authority, the Baltimore City Board of School Commissioners, the Interagency Committee on School Construction, and Baltimore City, the Maryland Stadium Authority is authorized to issue up to \$1.1 billion in bonds to fund public school construction and renovation projects in Baltimore City. The Board of Public Works approved the memorandum of understanding in October 2013. The Maryland Stadium Authority will manage all of the funds and many of the projects, in accordance with the terms of the memorandum of understanding and the 10-year school construction plan adopted by the Baltimore City Board of School Commissioners. In total, 23 to 28 schools are estimated to be replaced or renovated by the summer of 2020. Under the legislation, the Baltimore City Board of School Commissioners must follow specified procedures for

closing existing school facilities and must repay the State any remaining outstanding State debt on the schools it is closing.

The State and local funds dedicated to the initiative are pledged to pay debt service on the bonds issued by the Maryland Stadium Authority and may also be used to cover administrative costs incurred in implementing the program. The Maryland Stadium Authority may not spend any of its own funds, whether appropriated or nonbudgeted, to cover its administrative costs. Funding for the initiative is to be phased in from fiscal 2015 through 2018, with the State, Baltimore City, and the Baltimore City Board of School Commissioners each contributing \$20 million annually when the phase-in is complete; the funding continues until the Maryland Stadium Authority bonds with an expected term of 30 years are no longer outstanding.

Baltimore City is the only school board in the State authorized to issue bonds. The statutory limit on the principal amount of Baltimore City Board of School Commissioners' outstanding bonds was raised in 2013 from \$100 million to \$200 million.

History of Major Changes:

- 1947 Incentive Aid for School Construction was created to provide a grant equal to the difference between \$10 per pupil and a local property tax levy of 5 cents per \$100 of assessed valuation. By 1961 the incentive amount was \$22 per pupil.
- 1967 The State assumed support for 80% of \$1,500 per pupil construction costs and 80% of debt obligations outstanding as of June 30, 1967.
- 1971 The State assumed responsibility for the debt service on all local school construction debt outstanding as of June 30, 1967, and adopted a State fully funded school construction program for approved projects.
- 1988 The State/local shared school construction program was adopted by the Board of Public Works, based on the recommendations of the 1987 Task Force on School Construction Finance.
- 1993 New funding shares for State and local governments were recommended by the Governor's Task Force on School Construction and adopted by the Board of Public Works.
- 1996 The State entered into a consent decree with the plaintiffs in the case of *Bradford et al. v. Maryland State Board of Education et al.* that required the State to provide a 90% share of the first \$10 million in public school construction funding allocated to Baltimore City in fiscal 1998 through 2002.

- 1997 Chapter 105 mandated \$4.35 million annually for the new Aging Schools Program through fiscal 2002.
- 1998 Chapter 704 required the State to provide Prince George's County with \$35 million each year in school construction funding for fiscal 1999 through 2002, contingent on future economic conditions. The State share of the first \$35 million allocated by the State was set at 75% and 60% for any additional funding. Chapter 565 provided \$6.02 million in additional funding for the Aging Schools Program.
- 2000 Chapter 559 permitted the Baltimore City Board of School Commissioners to issue up to \$25 million in bonds for financing or refinancing the purchase, construction, or improvement of any Baltimore City public school facility. Later legislation increased the maximum amount of the bonds.
- 2001 Chapter 280 required the State in fiscal 2002 and 2003 to fund 90% of Baltimore City's eligible school construction costs for the first \$20 million provided by the State and 75% of any amount the State provided above \$20 million. Chapter 280 also required Baltimore City to allocate at least \$12.4 million for school construction in fiscal 2002 and 2003.
- 2002 and 2003 – The Baltimore City requirement was extended through fiscal 2004 by Chapter 288 of 2002 and through 2005 by Chapter 388 of 2003. Chapter 388 increased the amount that Baltimore City was required to allocate to \$16.0 million. Chapter 288 also extended the termination date of the Aging Schools Program through fiscal 2004 and Chapter 388 repealed the termination date and extended the \$10.37 million funding level. Chapter 289 of 2002 changed the State's share of funding in excess of \$35 million for Prince George's County to 65% through fiscal 2007.
- 2004 Chapters 306 and 307 implemented the recommendations of the Task Force to Study Public School Facilities. Major provisions include establishing a new State and local cost-share formula beginning in fiscal 2006 that would be updated every three years; establishing an emergency repair fund (at least \$2 million in fiscal 2005); authorizing alternative financing methods for counties; expanding eligible costs to include relocatable classrooms for fiscal 2006 through 2008; requiring the Interagency Committee on School Construction to survey the condition of school buildings every four years; requiring the reversion of unused construction funds to the statewide contingency fund; and stating the intent of the Governor and General Assembly that \$3.85 billion (\$2 billion State and \$1.85 billion local) be provided for school facilities by fiscal 2013. Chapters 306 and 307 revised the allocation of funds in the Aging Schools Program beginning in

fiscal 2006 by basing funding on the percentage of pre-1970 public school square footage and maintaining the \$65,000 and \$85,000 minimum allocations.

- 2005 Chapter 340 expanded the membership of the Interagency Committee on School Construction to include two members of the public appointed by the Presiding Officers. The committee's meetings were deemed subject to the State Open Meetings Law. Board of Public Works' approval of projects prior to May 1 was limited to no more than 75% of the Governor's preliminary allocation for school construction. County-by-county allocations were specified in the capital budget bill for fiscal 2006.
- 2006 Chapter 46 amended earlier language to clarify that the Board of Public Works' approval of 75% of the Governor's preliminary allocation does not include amendments to the original amount. County-by-county allocations were specified in the capital budget bill for fiscal 2007. The Board of Public Works was required to make final project allocations after May 1. Chapter 216 added \$3.7 million in pay-as-you go funding to the Aging Schools Program; projects receiving the funds were subject to the local share requirements applicable to other school construction projects. Chapter 252 required that the \$10.37 million in statutory grants for the Aging Schools Program be adjusted annually for inflation beginning in fiscal 2008.
- 2007 Chapter 488 (the capital budget bill) specified county-by-county allocations for fiscal 2008. If funds are allocated to an eligible project but can no longer be used for that project, Chapter 488 allowed the funds to be applied at the county's option to another eligible project in the county, returned to the contingency fund reserved for the county, or applied to county projects in the Aging Schools Program. Funds not encumbered within two years are returned to the statewide contingency fund.
- 2008 Chapter 336 required the interagency committee to submit funding recommendations by December 31 *equal* to 75% of the Governor's school construction allocation. The interagency committee must submit recommendations by March 1 that comprise 90% of the allocation submitted in the Governor's capital budget.
- 2009 Chapter 485 allowed funds that are allocated to an eligible project but can no longer be used for that project to be applied at the county's option to another eligible project or returned to the contingency fund for allocation to another county project within two years. After two years, unused funds revert to the statewide contingency fund. Contingency funds will be allocated the next fiscal year in addition to new funds. Chapter 487 rebased the aging school grants at \$6.1 million in general funds for fiscal 2010 and 2011 and scheduled a return to the \$10.37 million base amount in

fiscal 2012; the inflation adjustment was suspended for fiscal 2010 through 2012 and was set to resume in fiscal 2013. Chapter 487 also authorized \$6.1 million in bond proceeds to be used in place of general funds in fiscal 2010 for the Aging Schools Program.

- 2010 Chapter 482 authorized \$6.1 million in bond proceeds to be used in place of general funds for the Aging Schools Program for fiscal 2011. The legislation also rebased the Aging Schools grant at \$6.1 million annually with no increase for inflation.
- 2011 Chapter 397 specified that either operating funds or general obligation bond proceeds may be used to meet the mandated funding level for the Aging Schools Program. Chapter 572 dedicated \$47.5 million in fiscal 2012 to school construction projects from revenues raised through an increase in the alcoholic beverage sales tax.
- 2013 Chapter 647 allocated \$20.0 million in annual State lottery proceeds and \$40.0 million in annual Baltimore City revenues to support a multi-year \$1.1 billion public school construction and renovation initiative in Baltimore City. The Nonpublic Aging Schools Program was established in Chapter 424 (the capital budget bill) with \$3.5 million authorized for the program in fiscal 2014 (later reduced to \$3.0 million).
- 2014 Chapter 463 (the fiscal 2015 capital budget) included \$3.5 million for the Nonpublic Aging Schools program and altered the distribution criteria.

Legal Reference: Education Article, Title 5, Subtitle 3

Chapter 4. Higher Education – State-level Organization and Funding

Overview

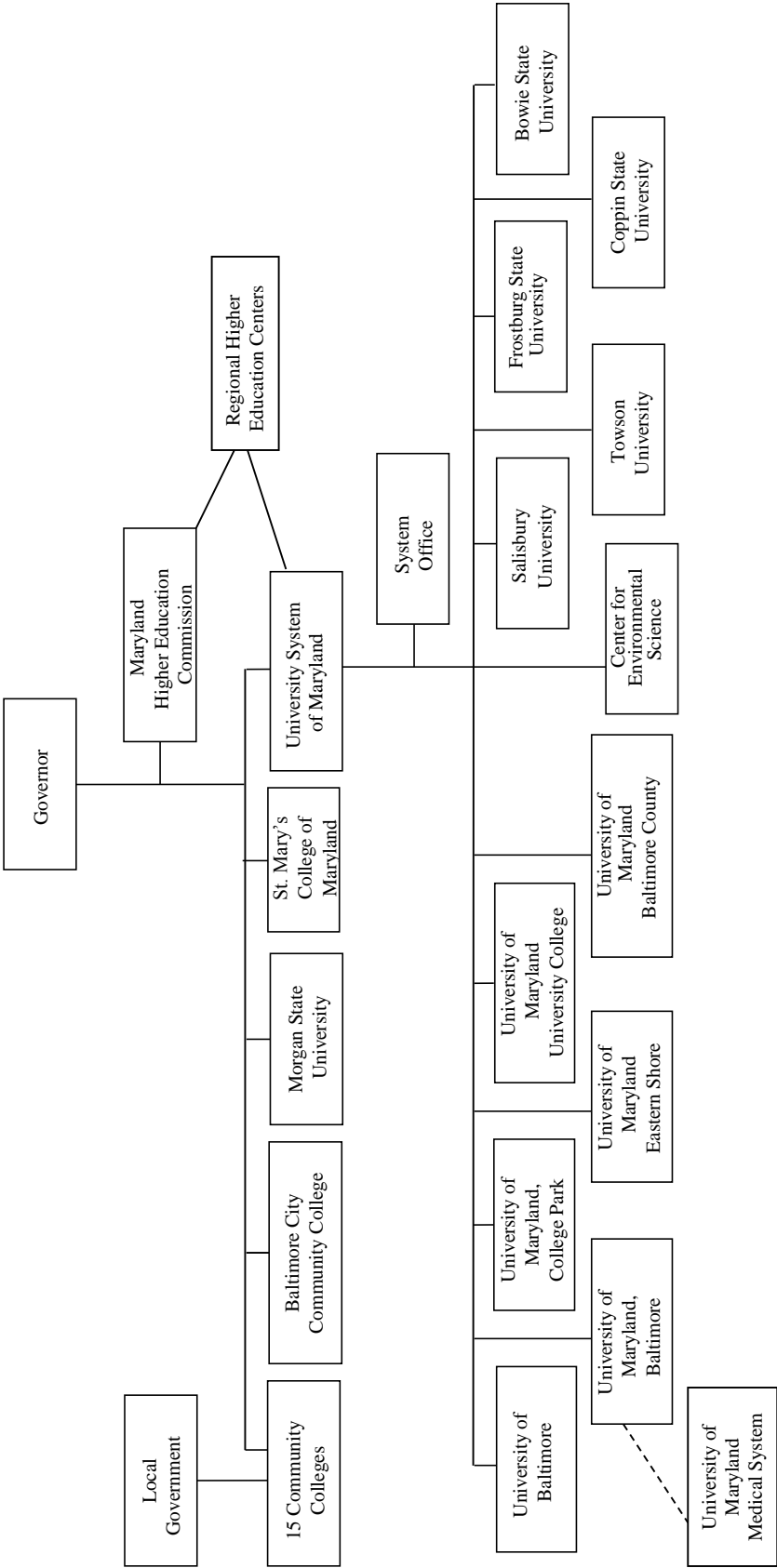
Maryland's higher education system consists of the Maryland Higher Education Commission, which is the State's postsecondary coordinating body; the University System of Maryland; 2 public four-year institutions independent of the University System of Maryland (Morgan State University and St. Mary's College of Maryland); 8 regional higher education centers; 16 community colleges, including Baltimore City Community College; and a multitude of private colleges, universities, and career schools.

Higher education and postsecondary education are terms that are used interchangeably and encompass all of the educational programs and institutions serving students who are at least 16 years old and have graduated from or left elementary or secondary school. However, higher education and postsecondary education do not include adult education administered by the Maryland Adult Education and Literacy Services Program in the Department of Labor, Licensing, and Regulation or apprenticeship and on-the-job training programs subject to approval by the Maryland Apprenticeship and Training Council in the Department of Labor, Licensing, and Regulation.

Oversight of public four-year institutions and community colleges is generally the responsibility of the State, with the Governor appointing the governing boards and the Maryland Higher Education Commission. A map of this oversight is shown in Exhibit 4.1. The organizational structure varies somewhat depending on the segment of higher education, *i.e.*, whether the institution is part of the University System of Maryland, a four-year institution independent of the University System of Maryland, a regional higher education center, or a community college. Each agency or institution has a unique role in serving the State, the higher education community, and the public. This chapter discusses the State-level organization and coordination of higher education policy. Chapter 5 provides more detail on the public four-year institutions, and Chapter 6 covers the community colleges.

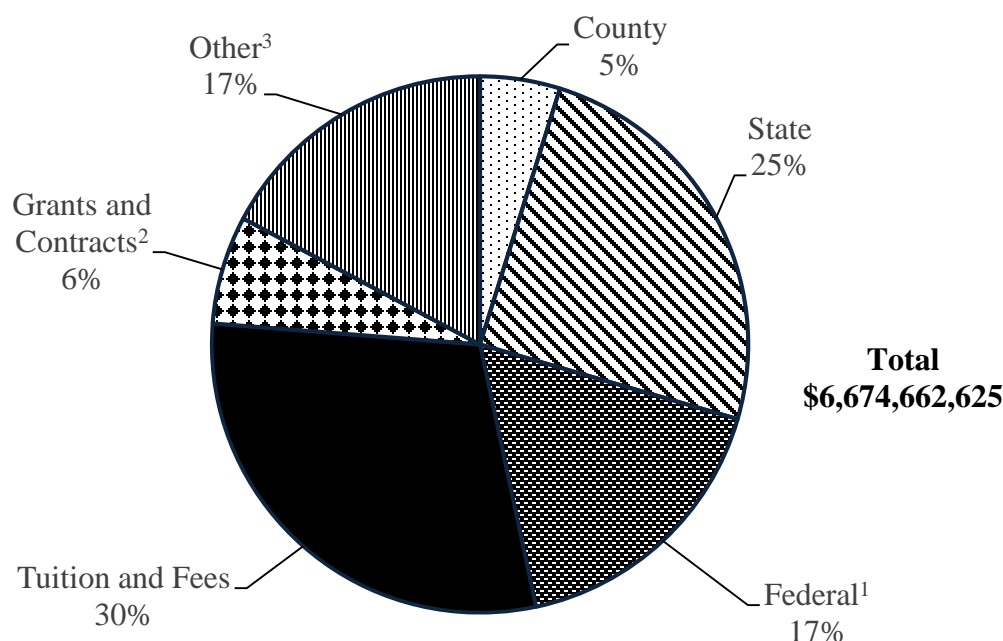
Higher education funding in Maryland totaled approximately \$6.7 billion in fiscal 2013. As shown in Exhibit 4.2, the State provided approximately \$1.7 billion, or about one-quarter of the total funding, to support higher education, including aid to private nonprofit institutions and student financial aid. Tuition and fees for public four-year institutions and community colleges provided roughly a third, with local and federal funds, grants and contracts, and other revenues supporting a little less than half of the total. The Maryland Higher Education Commission's operations and the State's financial aid programs are funded almost entirely with State general funds.

Exhibit 4.1
Maryland Public Higher Education System



Source: Department of Legislative Services

Exhibit 4.2
Higher Education Operating Funding
Fiscal 2013



Notes: Total funding includes revenues from public four-year institutions and community colleges as described further below.

¹Federal funds include current unrestricted and current restricted funds for grants and contracts including Pell grants, federal funds reimbursed through other State agencies, and federal funding of agency programs for public four-year institutions and community colleges.

²Grants and contracts include State, local, and private grants/contracts for services (unrestricted and restricted) for public four-year institutions and community colleges and exclude funding for the Maryland Fire and Rescue Institute.

³Other includes the following unrestricted and restricted revenues: sales and services of educational activities and auxiliary enterprises, endowment funds, investment income, income from day care, rental income (community colleges); and special funds from the Guaranteed Student Tuition Fund (Maryland Higher Education Commission).

Source: *2014 Data Book*, Maryland Higher Education Commission; *2014 Data Book*, Maryland Association of Community Colleges; *Fiscal 2015 State Budget Books*; Department of Legislative Services

While local community colleges are supported with both State and county dollars, Baltimore City Community College receives most of its direct government funding from the State. The State also provides some funding to eligible private nonprofit four-year institutions that meet statutory criteria. Additional public monies flow to the institutions in the form of contracts or grants for research and other services and for student financial aid through the Pell Grant Program. Tuition, student fees, dormitory fees, endowment earnings, private gifts and contracts, and a variety of miscellaneous sources are also revenue producers for Maryland's higher education institutions.

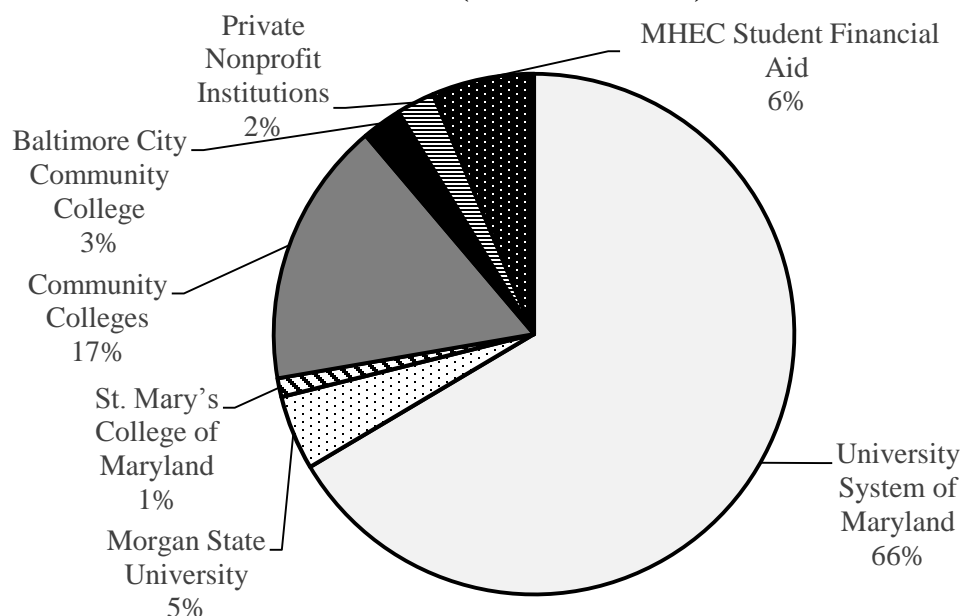
State Operating Funding

Recent improvements in the economy resulted in increased State funding for public higher education institutions that more than offset declines in funding during the recession. In any given fiscal year, the majority of funding is allocated to the University System of Maryland. As shown in Exhibit 4.3, in fiscal 2011 through 2015, the University System of Maryland received 66% of State funding, or \$5.5 billion. Community colleges received the next largest portion at 17%, or approximately \$1.4 billion.

Funding increased \$250.8 million (15.8%) between fiscal 2011 and 2015, as shown in Exhibit 4.3, which includes general funds and Higher Education Investment Funds. A \$42.1 million (2.7%) decline in funding in fiscal 2012 is mainly attributed to a decrease in funding for the University System of Maryland related to various cost containment actions and health insurance and retirement savings. The decline was partially offset by increases for Morgan State University, St. Mary's College of Maryland, and the local community colleges of 0.1%, 2.5%, and 1.9%, respectively, while aid to private nonprofit institutions was frozen, and aid to Baltimore City Community College decreased slightly.

An upturn in the economy in fiscal 2013 resulted in a funding increase of 4.8%, with the University System of Maryland receiving the majority of the increase, which more than offset the decrease in fiscal 2012. Private nonprofit institutions and Baltimore City Community College funding declined slightly, while local community college funding increased by 3.5%. Although three higher education segments saw State support grow between 15.0% and 19.0% from fiscal 2011 to 2015, State funding for Baltimore City Community College grew only 1.0%, largely because of flat or declining student enrollment. Funding for St. Mary's College of Maryland increased by 30.0% largely due to an infusion of funds in fiscal 2015 to support a reduction in tuition rates. Funding for private nonprofit institutions increased 8.0%. Student financial aid actually decreased slightly over the same time period, with a large decrease from fiscal 2014 to 2015 due to the use of carry forward funds in fiscal 2014.

Exhibit 4.3
State Support for Maryland Higher Education
Fiscal 2011-2015
(\$ in Thousands)



	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
University System of Maryland	\$1,056,406	\$1,008,636	\$1,075,834	\$1,134,283	\$1,243,763
Morgan State University	72,946	73,002	73,998	79,154	86,461
St. Mary's College of Maryland	17,518	17,962	18,383	19,843	22,748
Community Colleges	258,114	263,055	272,320	281,311	297,326
Baltimore City Community College	40,902	40,743	40,481	42,170	41,335
Private Nonprofit Institutions	38,446	38,446	38,056	41,292	41,422
MHEC Student Financial Aid	101,978	102,341	99,953	117,621	104,062
Total	\$1,586,310	\$1,544,185	\$1,619,025	\$1,715,674	\$1,837,117
Dollar Change from Prior year		-\$42,125	\$74,840	\$96,649	\$121,443
Percent Change from Prior Year		-2.0%	4.8%	6.0%	7.1%

MHEC: Maryland Higher Education Commission

Note: Includes general funds, Higher Education Investment Funds, and Need Based Student Financial Assistance Funds. Does not include other special funds except Budget Restoration Funds are included in fiscal 2013. Community College funds include the Senator John A. Cade formula, other programs, and fringe benefits. Fiscal 2015 includes a \$1.5 million stabilization grant to MHEC for reducing tuition at St. Mary's College of Maryland below the fall 2012 rate. Fiscal 2015 is adjusted for reductions made by the Board of Public Works in June 2014 and for the Cost-of-living Adjustment for State employees.

Source: *Fiscal 2011-2015 State Budget Books*; Department of Legislative Services

Statutory Formulas Linked to State Funding for Public Four-year Institutions

Community colleges, Baltimore City Community College, and private nonprofit institutions receive State funding through mandated statutory formulas based on a percent of State funding per full-time equivalent student at selected public four-year institutions. The selected institutions include all of the public four-year institutions except the University of Maryland, Baltimore; the University of Baltimore; the University of Maryland University College; and the University of Maryland Center for Environmental Science. The specified percentage of State funding per full-time equivalent student has changed over the years due to both increases in the percentages and delays in the planned enhancements due to budget constraints. The formula percentages were revised most recently in the Budget Reconciliation and Financing Act of 2014. Exhibit 4.4 shows the planned percentage of State support per full-time equivalent student at the public four-year institutions to be used in each of the statutory formulas through 2023 as of the 2014 session.

Exhibit 4.4
Percentage of State Support Per Student
Fiscal 2015-2023

<u>Segment</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Private Nonprofits	9.4%	9.6%	10.1%	10.5%	10.8%	11.1%	15.5%	15.5%	15.5%
Community Colleges	19.7%	20.0%	20.5%	21.0%	22.0%	23.0%	25.0%	27.0%	29.0%
BCCC	61.0%	58.0%	58.0%	60.0%	61.0%	62.5%	64.5%	66.5%	68.5%

BCCC: Baltimore City Community College

Note: Percentages reflect actions taken through the 2014 session.

Source: Department of Legislative Services

For each of the formulas, the percentage of State support is multiplied by the State funding per full-time equivalent student at the selected four-year institutions in the current fiscal year to arrive at a per student amount. This amount is then multiplied by the audited enrollment from the second prior fiscal year for the community colleges, Baltimore City Community College, or the private nonprofit institutions to yield the total formula funding.

Higher Education Investment Fund

Beginning in fiscal 2009, State funding for higher education includes special funds from the Higher Education Investment Fund. The Higher Education Investment Fund was established by Chapter 3 of the 2007 special session, which increased the corporate income tax rate from 7.0% to 8.25% and dedicated 6.0% of corporate tax revenues (or one-half of the rate increase) to higher education for two years. The Budget Reconciliation and Financing Act of 2009 continued the fund for fiscal 2010. Chapters 192 and 193 of 2010 subsequently made the 6.0% distribution of corporate tax revenues to the Higher Education Investment Fund permanent. The special fund may only be used to supplement general fund appropriations to public four-year institutions of higher education; for capital projects at public four-year institutions of higher education; for workforce development initiatives administered by the Maryland Higher Education Commission; and for higher education needs related to the Base Realignment and Closure process. In addition, fund expenditures may only be made in accordance with an approved appropriation in the annual State budget. For more information on how the Higher Education Investment Fund has been used, see Chapter 5 of this volume of the legislative handbook series.

Maryland Higher Education Commission

The Maryland Higher Education Commission is the State's higher education planning and coordinating body and oversees various aspects of the public and private higher education system. While the Governor and the General Assembly are required by statute to establish broad policy regarding higher education, the Maryland Higher Education Commission is required to advise the Governor and the General Assembly on statewide higher education policy and to conduct statewide planning for higher education.

The commission is governed by 12 members and the Secretary of Higher Education, who are appointed by the Governor with the advice and consent of the Senate. Eleven commissioners serve five-year terms and one, a student member, is appointed for a one-year term. The Secretary of Higher Education is a member of the Governor's Executive Council and serves at the pleasure of the commission.

The Maryland Higher Education Commission is responsible for coordinating the overall growth and development of postsecondary education in Maryland. The commission provides statewide oversight by establishing and updating the State Plan for Postsecondary Education every four years, as required by statute, and approving new academic programs, regional higher education centers, and two-year and four-year public and private institutions to operate in the State. For each public campus, the commission approves mission statements and recommends funding levels and priorities among institutions, in keeping with the State plan. The commission also oversees academic

matters, administers the programs of State support for the community colleges and private nonprofit institutions, administers State student financial aid programs, and upon request from a local government, makes a recommendation to the Governor concerning the establishment of a new community college.

The administrative offices of the Maryland Higher Education Commission are funded primarily by general funds; \$5.4 million of its \$6.8 million budget for fiscal 2014 were general funds. The commission also received \$520,000 in federal funds, \$677,000 in special funds, and approximately \$187,000 in reimbursable funds from the Department of Labor, Licensing, and Regulation.

Maryland State Plan for Postsecondary Education

One of the primary responsibilities of the Maryland Higher Education Commission is to develop and periodically update the State Plan for Postsecondary Education. In the *2004 Maryland State Plan for Postsecondary Education (2004 State Plan)*, the commission called for the development of an effective statewide model for postsecondary education and included five goals for Maryland's postsecondary education system. The *2004 State Plan* also included an overarching recommendation for Maryland to develop a postsecondary education model linking tuition policy, State support to institutions, and State and institutional financial aid to address issues such as student access and the particular needs of the State.

Although the next State plan was due to be released in 2008, the Maryland Higher Education Commission was granted an extension until 2009 so that the recommendations of the Commission to Develop the Maryland Model for Funding Higher Education, which released its recommendations in December 2008, could be considered as part of the development of the next State plan. The commission was established by Chapters 57 and 58 of 2006 to review proposed funding models and make recommendations regarding a stable and predictable funding model for postsecondary education in Maryland. The *2009 Maryland State Plan for Postsecondary Education (2009 State Plan)* was released in June 2009, and because the goals that were established in the *2004 State Plan* were still found to be relevant, the *2009 State Plan* included the same five goals: quality and effectiveness; access and affordability; diversity; student-centered learning; and economic growth and vitality. The *2009 State Plan* also included an overarching recommendation to implement the Higher Education Funding Model for Maryland that was recommended by the Commission to Develop the Maryland Model for Funding Higher Education. The model balances quality, affordability, and access to higher education and is to be implemented over a 10-year period. The Maryland Higher Education Commission is responsible for assessing the extent to which progress is being made toward achieving the

goals of the State plan and was directed by the Commission to Develop the Maryland Model for Funding Higher Education to use a return on investment template to annually report on the State's progress toward realizing the goals outlined.

The *2013 Maryland State Plan for Postsecondary Education (2013 State Plan)* was released in April 2014 and contained six goals. The first five were retained, wholly or in part, from the *2009 State Plan*: quality and effectiveness; access, affordability, and completion; diversity; innovation in education; and economic growth and vitality. An additional goal pertaining to data use and distribution was added in the *2013 State Plan*. The *2013 State Plan* provided action recommendations at the conclusion of each goal section, which included implementation measures and strategies. Many of the strategies included deadlines, which will provide a roadmap for priority of implementation.

Budget Process

The governing boards of the University System of Maryland, Morgan State University, St. Mary's College of Maryland, the Baltimore City Community College, and the regional higher education centers submit annual operating budget requests to the Maryland Higher Education Commission. Commission staff reviews these requests and provides recommendations to the commission. The commission is required to comment on the overall level of funding for higher education in order to achieve the goals established in the State Plan for Postsecondary Education and is authorized to comment on funding priorities among segments of higher education and within public four-year institutions. The full commission presents a consolidated operating budget request to the Governor and the General Assembly.

Academic Program Approval

One of the main oversight responsibilities of the Maryland Higher Education Commission is the authority to approve or deny requests for new academic programs at institutions of higher education. Legislation enacted in 1999 temporarily revised the academic program approval processes for the University System of Maryland by establishing two processes for implementing new academic programs, one for new programs that can be implemented with existing resources and another for new programs that will require additional resources. Subsequent legislation expanded these two processes to the other institutions of higher education in Maryland and made the two processes permanent.

Public institutions of higher education seeking to implement new programs requiring *additional* resources must first submit proposals for the new programs to the commission, and the commission must approve or disapprove the programs. If the

commission fails to act regarding a proposal within 60 days of the date of submission of a proposal, the proposal is automatically deemed approved. Both private nonprofit and private for-profit institutions of higher education must also submit proposals for new programs to the commission; however, the commission only *recommends* that the programs be implemented or not implemented. If a private nonprofit institution implements a program contrary to the recommendation of the commission that was based on a finding of unreasonable duplication, then the commission may recommend that the General Assembly reduce the amount of aid to that private nonprofit institution. Further, if a private nonprofit or private for-profit institution implements a program contrary to the recommendation of the commission, the institution must notify both prospective and enrolled students in the program that the program has not been recommended for implementation. Another institution or the commission may file an objection to a new program proposal based on any reason.

When an institution of higher education determines that it can implement a new program with *existing* resources, the president of the institution must submit the proposal to the institution's governing board and to the commission, and the commission must distribute the proposal to other institutions. The commission or another institution may file an objection to the proposal only based on the following four reasons: (1) inconsistency with the mission of the institution proposing the program; (2) a lack of need for the program; (3) unreasonable program duplication that could cause harm to another institution; or (4) violation of the State's equal educational opportunity obligations. Based on those factors, the commission must determine if an institution's objection is justified. If the commission determines that an objection is justified, it must negotiate with the institutions' governing boards and presidents to modify the proposal. If the objection cannot be resolved within 30 days of receipt of an objection, the commission must make a final determination about the approval of the proposed program. The commission's decision is final and is not subject to judicial review or administrative appeal.

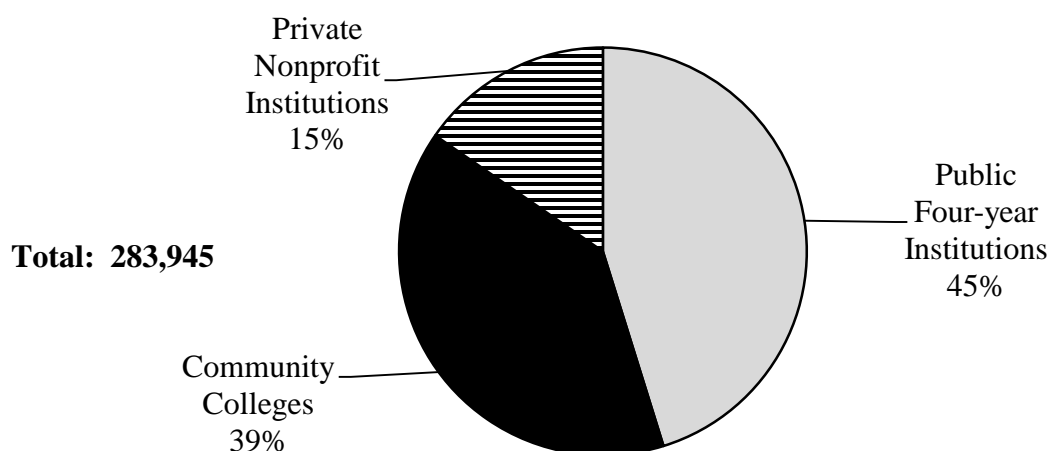
The commission may review an existing program at a public institution if it has reason to believe that the academic program is unreasonably duplicative or inconsistent with the institution's adopted mission. The commission may make a determination that unreasonable duplication exists on its own initiative or after receiving a request from a public institution affected by the program duplication. If the commission determines that there is unreasonable duplication that would cause demonstrable harm to another institution, it may require the institutions with duplicative programs to submit a plan to resolve the duplication. If the plan does not adequately address the duplication, the commission may revoke an institution's authority to offer a duplicative program. The commission must offer the institution an opportunity to present an objection to its decision,

but the commission’s decision is final and is not subject to judicial review or administrative appeal.

Enrollment in Higher Education

The Maryland Higher Education Commission maintains data on enrollment in higher education and prepares the official enrollment projections for the State. In fiscal 2013, 283,945 full-time equivalent students were enrolled in a public or private nonprofit institution in Maryland. As shown in Exhibit 4.5, the largest portion of the students (45%) attended public four-year institutions, while 39% enrolled at community colleges, and 15% enrolled at private nonprofit institutions. (Enrollment at for-profit institutions is not available.)

Exhibit 4.5
Full-time Equivalent Student Enrollment by Segment
Fiscal 2013 Actual



Note: Community colleges include credit and State-funded noncredit enrollment. Total percent may not sum due to rounding.

Source: Maryland Higher Education Commission

Like many other states in the nation, Maryland experienced continuous growth in its production of high school graduates from 1991 to 2008 because of the baby boom echo. This “echo” reflected students who were born to the baby boom (*i.e.*, post World War II) generation and who inflated enrollment numbers as they moved through the education system. However, the high school class of 2008 marked the peak of the baby boom echo with approximately 59,200 public high school graduates.

According to the Western Interstate Commission for Higher Education, the number of Maryland public high school graduates will decrease to 57,119 by spring 2028. However, certain populations will experience significant growth. Hispanic public high school graduates are projected to more than double from 2014 to 2028 to a total of 11,865, white high school graduates are projected to decline, and African American graduates will remain about the same.

The Maryland Higher Education Commission is projecting an increase in the number of students that will enroll in the State's public higher education institutions in the future partly due to an expected increase in the percent of students choosing to attend higher education. From fall 2014 through fall 2023, the commission projects that total full-time equivalent enrollment at the State's public institutions of higher education will increase 16%. The commission does not forecast enrollments at private institutions.

The changing demographics in Maryland's population will continue to affect the State's higher education system. For example, closing the persistent retention and graduation rate gaps between African American and Hispanic students compared to white and Asian students becomes critically important.

Statewide Tuition Policy

The governing boards of the public four-year institutions and community colleges generally set the tuition and fee rates for their campuses. Tuition and fees charged to students at public four-year institutions and community colleges are discussed further in Chapters 5 and 6 of this volume. However, the State does set broad policies regarding tuition rate exemptions and waivers for specific categories of students.

Tuition Rates at Public Institutions for Undocumented Students

Legislation authorizing specified undocumented students to receive in-state tuition benefits passed the General Assembly in 2003 but was vetoed by the Governor. Eight years later, Chapter 191 of 2011 exempted individuals who attended and graduated from Maryland high schools from paying out-of-state tuition and out-of-county tuition under specified circumstances at public institutions of higher education in the State, if the individual begins postsecondary education at a community college. Nonimmigrant aliens such as individuals on student visas and certain work visas or individuals who are diplomats and do not intend to stay in the country do not qualify for the exemption, but otherwise the exemption applies regardless of residency status and would include undocumented students.

To qualify for an exemption from paying out-of-state tuition at a community college, an individual must (1) beginning with the 2005-2006 school year, have attended a public or nonpublic secondary school in the State for at least three years; (2) beginning with the 2007-2008 school year, have graduated from a public or nonpublic secondary school in the State or received the equivalent of a high school diploma in the State; (3) register as an entering student at a community college in the State not earlier than the 2011 fall semester; (4) provide to the community college documentation that the individual or the individual's parent or legal guardian has filed a Maryland income tax return annually for the three years while the individual attended a public or nonpublic secondary school in the State; annually during the period, if any, between graduation from a public or nonpublic secondary school in the State and registration at a community college; and annually during the period of attendance at the community college; (5) in the case of an individual who is not a permanent resident, provide to the community college an affidavit stating that the individual will file an application to become a permanent resident within 30 days after the individual becomes eligible to do so; (6) in the case of an individual who is required to register with the selective service system, provide to the community college documentation that the individual has complied with the registration requirement; and (7) register at a community college in the State not later than four years after graduating from a public or nonpublic secondary school in the State or receiving the equivalent of a high school diploma in the State.

In order to be eligible to pay a rate equivalent to the in-county tuition rate at a community college in the State, Chapter 191 specified that an individual must attend a community college supported by the county in which the secondary school from which the individual graduated is located, or if an individual received the equivalent of a high school diploma in the State, the county in which the secondary school most recently attended by the individual is located.

Eligibility to pay in-state tuition at a four-year public institution of higher education includes individuals who (1) have attended a community college not earlier than the 2010 fall semester and met the requirements described above for qualifying for an exemption from paying out-of-state tuition at a community college, except for registering as an entering student at a community college in the State not earlier than the 2011 fall semester; (2) have been awarded an associate's degree by, or achieved 60 credits at, a community college in the State; (3) provide the institution a copy of the affidavit stating the individual will file an application to become a permanent resident within 30 days after the individual becomes eligible to do so; (4) provide to the institution documentation that the individual or the individual's parent or legal guardian has filed a Maryland income tax return annually while the individual attended a community college in the State; annually during the period, if any, between graduation from or achieving 60 credits at a community college in the State and registration at a four-year public institution of higher education in

the State; and annually during the period of attendance at the institution; and (5) register at a four-year public institution of higher education in the State not later than four years after graduation from, or achieving 60 credits at, a community college in the State.

Although Chapter 191 was petitioned to referendum, the voters of Maryland affirmed the law with 58% supporting the measure at the 2012 general election. The law took effect immediately upon gubernatorial certification of the election results, December 6, 2012.

Tuition Waivers

Individuals with Disabilities

A community college tuition waiver exists for any resident of Maryland who is out of the work force because of total and permanent disability and receives disability or retirement benefits. The disability must be certified by the Social Security Administration, the Railroad Retirement Board, or the individual's federal retirement or pension authority. In order to receive the waiver, an individual must apply for any State or federal student financial aid, other than a student loan, for which the student may qualify. Any financial aid received by the student must be applied first to pay the student's tuition. The waiver only applies to the difference, if any, between the charge for tuition and the financial aid award that the student received.

Foster Care Recipients

A tuition and mandatory fee waiver program exists at public institutions of higher education for specified children in foster care, foster care children who were adopted from an out-of-home placement, individuals who are placed into guardianship, or individuals who are adopted from an out-of-home placement by a guardianship family.

Unaccompanied Homeless Youth

Based on the foster care recipient waiver, a waiver is also available for an unaccompanied homeless youth who meets the same conditions as a foster care recipient to receive a waiver under the law. The tuition waiver for both foster care and unaccompanied homeless youth applies regardless of any other scholarship or grant that a student receives.

Higher Education Employees

Tuition must, and room and board may, be waived for faculty and employees of public institutions of higher education and their children who attend public institutions of

higher education in the State. Public four-year institutions generally offer tuition waivers to employees and their spouses and dependents, although the benefits vary by institution. Any full-time classified employee of a community college who enrolls in any class is exempt from paying tuition in any class at the community college that has at least 10 regularly enrolled students.

Persons 60 Years or Older

A community college is required to waive the tuition of a course for individuals 60 years or older when course space is available. This waiver counts only toward tuition; it does not apply to fees for an application, registration, administration, or laboratory work. In addition to these requirements, the senior citizen waivers at University System of Maryland institutions, Morgan State University, and St. Mary's College of Maryland require that the individual not be employed full time and the individual's chief income be derived from retirement benefits. The waiver for tuition may only be used for up to three courses per term, and an institution may not allow a senior citizen to enroll in a degree granting program, unless the senior citizen meets the admission standards of the institution.

Displaced Homemakers

A tuition exemption exists at community colleges for certain displaced homemakers who are Maryland residents, contingent on the availability of funds under the federal Workforce Investment Act. A displaced homemaker is an individual who is 30 years of age or older; worked for the family in the family home; is not gainfully employed; has had, or would have, difficulty finding employment; has depended on the income of a family member and lost the income as a result of divorce, separation, or the death or disability of a family member; and has annual income below the federal poverty level.

Tuition Subsidies and Assistance for Veterans

Active duty members and spouses and financially dependent children of members of the U.S. Armed Forces, along with honorably discharged veterans and members of the National Guard, are exempt from paying out-of-state tuition at a public institution of higher education in Maryland if the individual resides in or is domiciled in the State. All eligible individuals who live in or move to Maryland may pay in-state tuition without meeting a residency requirement and without attending and graduating from a high school in the State.

Residency Waivers

Public School Teacher

For tuition purposes, a public four-year higher education institution and a community college is required to waive the in-state residency requirement for an employed full-time public school teacher who has been employed as a public school teacher in the State for less than a year and is taking a course or program required by the county board of education. Under the residency requirement, a student must have resided in Maryland for one year to be considered a resident and receive in-state tuition status.

Children of State or Local Public Safety Employees

A child of a State or local public safety employee killed in the line of duty is exempt from paying the nonresident tuition rate at a public institution of higher education.

Health Workforce Shortage Areas

A student at a community college who is enrolled in a program to become a licensed nurse must be classified as an in-county resident for purposes of tuition if the student agrees to work in a hospital or related institution in Maryland for at least two years. This benefit applies as long as the Secretary of Health and Mental Hygiene determines that there is a shortage of nurses in Maryland. Additionally, State residents enrolled in health manpower shortage areas as determined by the Maryland Higher Education Commission must only be charged the in-county tuition rate.

State Financial Aid

Financial aid comes in the form of grants, work study, student loans, private loans, scholarships, and other awards from federal, State, private, and institutional resources. Grants and scholarships are aid that students do not have to pay back. Grants are usually given because a student has financial need, while scholarships are usually given to recognize the student's academic achievement, athletic ability, or other talent. Loans must be repaid, usually with interest.

The Office of Student Financial Assistance within the Maryland Higher Education Commission is responsible for the administration of State financial assistance programs. The office administers approximately 19 different State financial assistance programs. These programs are designed to improve access to higher education for low-income students; encourage students to major in workforce shortage areas; and encourage

Maryland’s brightest students to attend college within the State. Maryland students use the assistance from these programs at the State’s public four-year campuses and community colleges; private nonprofit institutions; and private career schools in the State.

State financial aid programs fall into five categories: (1) need-based aid; (2) merit-based aid; (3) career-based aid; (4) assistance for unique populations; and (5) legislative scholarships, as shown in Exhibit 4.6. Although many scholarship funds have criteria in two or more of these categories, each scholarship is grouped according to its most prominent requirement. The programs provide funds directly to institutions of higher education to cover qualified college expenses; funds directly to students as reimbursement for the payment of tuition and mandatory fees; and assistance for the repayment of student loans. Institutions and the federal government also provide financial aid to students.

Exhibit 4.6

State Financial Aid Programs

Need-based

Delegate Howard P. Rawlings
Educational Excellence Awards

Guaranteed Access Grants

Need- and merit-based grants intended to meet 100% of financial need for full-time undergraduates from low-income households. Qualified applicants must have a cumulative high school grade point average (GPA) of at least 2.5 on a 4.0 scale. The commission extended the income limits for renewals to 150% of the federal poverty level to prevent a student who may work in the summertime from exceeding the original 130% income cap.

Educational Assistance Grants

Need-based grants intended to meet 40% of financial need at four-year institutions and 60% at community colleges for full-time undergraduates from low- to middle-income families. The maximum award amount authorized by statute is \$3,000. The current maximum amount awarded is \$3,000.

Campus-based

Need-based grants for full-time undergraduates from low-income families who for extenuating circumstances miss the application filing deadline. Funds for the campus-based grants are allocated to eligible institutions that then select recipients.

Exhibit 4.6 (continued)

Part-time Grant Program	Need-based grants provided to institutions to award to qualified part-time undergraduate students.
Graduate and Professional Scholarship Program	Need-based grants for those pursuing certain graduate and professional degrees at certain Maryland institutions of higher education.
Early College Access Grant Program	Need-based grants for students dually enrolled in a Maryland high school and a Maryland institution of higher education.
Merit-based	
Distinguished Scholar Program	Talent- or merit-based scholarship awarded to full-time undergraduates. Three hundred and fifty scholarships must be awarded annually. No new awards have been made after the 2010-2011 academic year. Repealed by Chapter 397 of 2011, effective July 1, 2015.
Career-based	
Charles W. Riley Firefighter and Ambulance and Rescue Squad Member Scholarship	Scholarship for active Maryland firefighter, ambulance, or rescue squad workers pursuing a degree in fire service technology, emergency medical technology, fire service management, or public safety administration. Minimum GPA is required.
Teaching Fellows for Maryland Scholarship	Scholarship for Maryland students who pledge to work as public school teachers upon completion. Award is equivalent of annual tuition, mandatory fees, and room and board and requires a recipient to teach one year in a public school (including prekindergarten) that has at least 50% of its students eligible for free and reduced-price meals for each year that the recipient receives the award. Minimum GPA and other academic requirements must be met.
Workforce Shortage Student Assistance Grants	Scholarships for Maryland students pursuing degrees in teaching, nursing, human services, physical/or occupational therapy, public service, social work, and other areas to address workforce and regional needs. A service obligation accompanies the award. Academic accomplishment and financial need may be considered by the commission in making awards.

Exhibit 4.6 (continued)**Janet L. Hoffman Loan Assistance Repayment Program**

Employees of Government and Nonprofit Sector Loan repayment assistance for graduates of an institution of higher education in Maryland who work full-time for the government or the nonprofit sector in a priority field as determined by the commission. Priority is given to recent graduates who are State residents and employed full-time principally providing legal services to low-income residents, nursing services in nursing shortage areas in the State, or other employment fields where there is a shortage of qualified practitioners for low-income or underserved residents. Recipient must meet income eligibility requirements as determined by the commission.

Nancy Grasmick Teacher Award Loan repayment assistance for those teachers who have taught in Maryland for at least two years in science, technology, engineering or math subjects or in a school in which at least 75% of the students are enrolled in the free and reduced-price meal program. To qualify for the award, the teacher must also have received the highest performance evaluation rating for the most recent year available. Recipient must meet income eligibility requirements as determined by the commission.

Physicians and Physician Assistants Loan repayment assistance for those who currently serve as primary care physicians or physician assistants and who practice primary care in a geographic area that has been federally designated.

Maryland Dent-Care Loan repayment assistance designed to increase access to oral health services for Maryland Medical Assistance Program recipients. Recipient must demonstrate financial need.

Assistance for Unique Populations

2+2 Transfer Scholarship Scholarship to provide an incentive for Maryland students to earn an associate's degree from a community college before enrolling in a four-year institution. Recipient must demonstrate financial need. Minimum GPA is required.

Maryland First Scholarship Scholarships for Maryland first-generation students who meet additional eligibility requirements. Recipient must demonstrate financial need. Minimum GPA or community service hours required.

Jack F. Tolbert Memorial Scholarships to private career school full-time students. Recipients must demonstrate financial need and be a resident of the State.

Exhibit 4.6 (continued)

Edward T. Conroy and Jean B. Cryor Scholarship Fund	Scholarships for children and surviving spouses of certain veterans, certain public safety personnel, and public or nonpublic school employees.
Veterans of the Afghanistan and Iraq Conflicts Scholarship Program	Scholarships for U.S. Armed Forces personnel who served in the Afghanistan or Iraq conflicts and their sons, daughters, or spouses attending a Maryland postsecondary institution. Minimum GPA is required.
Legislative Scholarships	
Senatorial Scholarships	Senators select recipients from within their legislative district. Students may be pursuing undergraduate, graduate, or professional degrees. Recipient must demonstrate financial need.
Delegate Scholarships	Delegates select recipients pursuing undergraduate, graduate, or professional degrees.

Source: Education Article, Title 18, Annotated Code of Maryland; Maryland Higher Education Commission; Department of Legislative Services

Funding of State Financial Aid Programs

The State financial assistance programs administered by the Office of Student Financial Assistance within the Maryland Higher Education Commission are projected to distribute \$104.1 million during fiscal 2015, as shown in Exhibit 4.7. State financial aid programs are primarily funded with general funds. Approximately \$450,000 in special funds generated from health occupation fees and \$250,000 in reimbursable funds support the Maryland Loan Assistance Repayment Program for Physicians and Physician Assistants. The federal government also provides substantial need-based grants and loans directly to students, primarily through the Pell Grant Program. Institutions also provide financial aid directly to students.

Exhibit 4.7
State Financial Aid Funding
Fiscal 2015

<u>Program</u>	<u>Fiscal 2015 Working Appropriation</u>	<u>Percent of Total</u>
Need-based		
Educational Excellence Award	\$77,008,868	
<i>Educational Assistance (EA) Grant</i>	56,782,018	
<i>Guaranteed Access Grant</i>	18,226,850	
<i>Campus Based EA Grant</i>	2,000,000	
Graduate and Professional Scholarship	1,174,473	
Part-time Grant	5,087,780	
Subtotal	\$83,271,121	80.0%
Legislative		
Delegate	\$5,625,000	
Senatorial	6,486,000	
Subtotal	\$12,111,000	11.6%
Merit and Career		
Distinguished Scholar Program ¹	\$771,000	
Fire Rescue Tuition Reimbursement ²	358,000	
Janet L. Hoffman Loan Assistance Repayment Program (LARP)	2,775,177	
<i>LARP (general)</i>	691,795	
<i>Teacher</i>	445,000	
<i>Dent-Care</i>	356,100	
<i>Physicians/Physician Assistants</i>	1,282,282	
Workforce Shortage Student Assistance Grants	1,254,775	
Subtotal	\$5,158,952	5.0%
Unique Populations		
2+2 Transfer	\$2,000,000	
Edward T. Conroy and Jean B. Cryor	570,474	
Tolbert Memorial Grant	200,000	
Veterans of Afghanistan and Iraq Conflicts	750,000	
Subtotal	\$3,520,474	3.4%
Total	\$104,061,547	

¹Fiscal 2015 is the last year of funding for the program, which was repealed by Chapter 397 of 2011, effective July 1, 2015.

²Chapter 503 of 2013 repealed the Charles W. Riley Fire and Emergency Medical Services Tuition Reimbursement Program effective October 1, 2015, and established the Charles W. Riley Firefighter and Ambulance and Rescue Squad Member Scholarship. The last cohort of applications for the tuition

reimbursement program was received by the commission on July 1, 2014. The new scholarship will be funded by the same funding source as the tuition reimbursement program, which is a portion of a court surcharge on traffic cases. Fiscal 2017 will be the first year that new scholarships are awarded unless the commission receives additional general funds in fiscal 2016 in order to fund both tuition reimbursement and scholarships.

Note: Includes general and special funds.

Source: Maryland Higher Education Commission; *Fiscal 2015 State Budget Books*

The largest scholarship program, the need-based Delegate Howard P. Rawlings Educational Excellence Award program, accounts for 80% of all the funding. Educational Excellence Award dollars are used to provide low- and moderate-income households with grants of \$400 to \$3,000 (Educational Assistance Grants) and the lowest-income families with grants of up to \$16,500 (Guaranteed Access Grants) to cover the costs of college attendance. Approximately two-thirds of award recipients received need-based grants in fiscal 2013, with an average award of \$3,647, as shown in Exhibit 4.8.

Exhibit 4.8
Recipients of Student Financial Assistance
Fiscal 2013 Actual

<u>Program</u>	<u>Recipients</u>	<u>Average Award</u>
Need-based Aid		
Guaranteed Access Grant	1,316	\$11,350
Educational Assistance (EA) Grant	25,698	2,109
Campus-based EA Grant	1,133	1,765
Part-time Grant Program	9,214	552
Graduate and Professional Scholarship	478	2,457
Subtotal	37,839	\$3,647
<i>Excluding Guaranteed Access</i>	36,523	\$1,721
Legislative Programs	17,637	\$687
Merit-based Programs	772	2,947
Career and Occupational Programs	943	5,880
Unique Population Programs	632	2,895
Total	57,823	\$1,825

Source: Maryland Higher Education Commission

Legislative scholarships are funded differently for Senatorial and Delegate Scholarships, as provided in Subtitles 4 and 5, respectively, of Title 18 of the Education Article. Each senator may award \$34,500 in scholarship funds each year. During a term in office, each delegate may award the equivalent of four full-time (four-year) scholarships or two part-time scholarships for each full-time scholarship available. Thus, the amount increases annually due to tuition and fee increases.

Unused funds may be carried over from one fiscal year to the next in many State financial aid programs, but they must be used for need-based awards in subsequent years, except for legislative scholarships, which are retained in those programs.

Educational Grants

Educational grants provide miscellaneous financial assistance to State, local, and private entities. Grants are intended to enrich the quality of higher education within Maryland. Exhibit 4.9 shows educational grant appropriations from fiscal 2013 to 2015. Since fiscal 2013, the general fund appropriation has increased 28%, or \$2.1 million. Federal funds increased to \$3.1 million in fiscal 2014 and 2015 due primarily to increases in the College Access Challenge and Improving Teacher Quality grants. The largest appropriation is for the U.S. Office for Civil Rights Enhancement Fund, which is a \$4.9 million general fund appropriation for the State's four public Historically Black Colleges and Universities and is discussed further below.

Special funds are primarily attributable to the Nurse Support Program II (NSP II), which is funded by a special assessment on hospitals to support nursing education. NSP II is a competitive institutional grant administered by the Maryland Higher Education Commission that is designed to increase the capacity of nursing programs, particularly in producing master's- and doctoral-level nurses who can serve as nurse educators in associate's degree and bachelor's degree programs. Since the first round of NSP II grants in fiscal 2007, the number of master's and doctoral degrees awarded per year in nursing has increased 73.8%, from 329 to 572. This far exceeds the Maryland Higher Education Commission's original goal of 350 graduates by 2013. Additionally, while all nursing degrees increased about 14.5% over the five-year period of 2005 to 2009, the number of degrees grew by 36.9% over the next five-year period, 2009 to 2013.

NSP II will begin to phase out in fiscal 2015 and sunset completely in fiscal 2018. A continuation of this program is dependent on the recommendation of the Health Services Cost Review Commission to continue the hospital assessment that funds the program.

Exhibit 4.9
Educational Grants
Fiscal 2013-2015

<u>Programs</u>	<u>2013 Actual</u>	<u>2014 Actual</u>	<u>2015 Appropriation</u>
Complete College Maryland	\$250,000	\$250,000	\$250,000
Credit When It's Due (USA Funds)		270,000	
Improving Teacher Quality	1,027,015	1,040,000	1,500,000
OCR Enhancement Fund	4,900,000	4,900,000	4,900,000
Washington Center for Internships and Academic Seminars	75,000	125,000	175,000
Interstate Educational Compacts in Optometry	82,750	41,475	
UMB – WellMobile	285,250	285,250	285,250
Regional Higher Education Centers	1,750,000	2,550,000	2,550,000
Harry Hughes Center for Agro-Ecology	200,000		
College Access Challenge Grant	1,230,060	2,000,000	1,600,000
John R. Justice Grant	136,000	60,000	
St. Mary's College of Maryland Stabilization Grant			1,500,000
Nurse Support Program II	13,611,804	15,504,808	15,487,627
Health Personnel Shortage Incentive Grant Program		1,000,000	2,000,000
Total	\$23,547,879	\$28,026,533	\$30,247,877
General	\$7,543,000	\$8,197,774	\$9,660,250
Special	13,611,804	16,728,759	17,487,627
Federal	2,393,075	3,100,000	3,100,000
Total	\$23,547,879	\$28,026,533	\$30,247,877

OCR: Office for Civil Rights

UMB: University of Maryland, Baltimore

Source: *Fiscal 2015 State Budget Books*; Maryland Higher Education Commission

Maryland's Equal Educational Opportunity Obligations

The Maryland Higher Education Commission is also responsible for the State's compliance with federal equal educational opportunity laws. In its 1954 decision in *Brown v. Board of Education*, the Supreme Court declared segregation in public education a violation of the Equal Protection Clause of the Fourteenth Amendment of the U.S. Constitution. Although this decision spurred changes within primary and secondary education systems, institutions of higher education did not immediately comply.

Enhancement of Historically Black Colleges and Universities

In 1969, the U.S. Office for Civil Rights required Maryland and nine other states to submit a plan for approval by the office to remove vestiges of its segregated system of higher education. The office asserted that Maryland had a responsibility to “adopt measures necessary to overcome the effect of past segregation” and that it was not enough “that an institution maintain a nondiscriminatory admissions policy if the student population continues to reflect the formerly *de jure* racial identification of that institution.”

Over the next 20 years, Maryland submitted various plans to the Office for Civil Rights to enhance its four historically black colleges and institutions: Bowie State University, Coppin State University, Morgan State University, and the University of Maryland Eastern Shore. In 1991, Maryland reported full or substantial compliance with all elements of its previous plans. Nearly 10 years passed before a response was received from the office.

In December 2000, the Maryland Higher Education Commission and the Office for Civil Rights entered into a Partnership Agreement that included a commitment from the State to further enhance its four historically black colleges and universities and to improve higher education opportunities for African American students. This partnership agreement expired on December 31, 2005, and on June 19, 2006, the commission submitted to the Office for Civil Rights a final report on the Partnership Agreement Commitments. In early summer 2008, the office acknowledged receipt of the report. Since then, Office for Civil Rights staff has visited four Baltimore area institutions (Coppin State University, Morgan State University, Towson University, and the University of Maryland Baltimore County) and two Eastern Shore institutions (Salisbury University and the University of Maryland Eastern Shore).

Additionally, the Office for Civil Rights was interested in the findings and recommendations of the Commission to Develop the Maryland Model for Funding Higher Education and its Panel on the Comparability and Competitiveness of Historically Black Institutions. The Commission to Develop the Maryland Model for Funding Higher

Education was charged with making recommendations relating to the appropriate level of funding for the State's historically black colleges and universities to ensure that they are comparable and competitive with other public institutions. The commission contracted with a team of national experts to study the programs, resources, and facilities at both traditionally white institutions and historically black colleges and institutions. The commission's final report was submitted in December 2008, which included the panel's recommendations for additional resources due to the dual mission of historically black colleges and universities to provide regular collegiate programs and strong developmental education for students who are not prepared for college-level work.

Meanwhile, although institutions of higher education cannot sue the State or other institutions regarding program approval or unnecessary duplication, a group of current and prospective students and alumni of several Maryland historically black colleges and universities called the Coalition for Equity and Excellence in Maryland Higher Education, Inc. is suing the State for failure to comply with federal civil rights laws and constitutional obligations, including prevention of unnecessary program duplication. The suit seeks the elimination of several new academic programs at traditionally white institutions.

After a lengthy process of failed mediation and a six-week bench trial, the U.S. District Court for the District of Maryland found that the State of Maryland violated federal civil rights laws by approving unnecessary duplication of programs at historically black colleges and universities and traditionally white institutions. The court found in favor of the State on two other claims related to institutional missions and operating funding. However, the court has yet to enter a judgment. Instead, the State and the plaintiffs have begun the mediation process to attempt to determine appropriate remedies.

Enhancement Funding for Historically Black Colleges and Universities

As part of the Partnership Agreement between the State and the Office for Civil Rights signed in December 2000, the State has provided enhancement funds to the historically black colleges and universities since fiscal 2002. Although the partnership agreement officially expired on December 31, 2005, the State has continued to provide enhancement funds. Most of these funds are distributed through the Maryland Higher Education Commission as special grants, including Office for Civil Rights enhancement grants, Access and Success grants to support retention and graduation efforts (which have been included in the institutions' base budgets since fiscal 2007), and special grants for specific purposes, such as funding for the Master Plan Development at Bowie State University.

In total, the State has provided \$172.1 million in enhancement funds to the historically black colleges and universities from fiscal 2002 to 2015, as shown in Exhibit 4.10. The State has also agreed to enhance its capital investment in historically black colleges and universities, especially at Coppin State University. Since fiscal 2002, the State has provided \$1.0 billion in capital funds to the historically black colleges and universities, including almost \$400 million to Coppin State University.

Exhibit 4.10
Office for Civil Rights Enhancement Funds Distribution
Fiscal 2002-2015
(\$ in Thousands)

<u>Institution</u>	<u>OCR Enhancement 2002-2015</u>	<u>Access and Success 2002-2015</u>	<u>Other 2002-2015</u>	<u>Total 2002-2015</u>
Bowie State University	\$24,178	\$20,625	\$4,139	\$48,942
Coppin State University	14,840	20,625	3,951	39,416
University of Maryland Eastern Shore	17,397	20,625	3,088	41,110
Morgan State University	18,085	20,625	3,946	42,656
Total	\$74,500	\$82,500	\$15,124	\$172,124

Note: Office for Civil Rights Enhancement funds includes \$1.1 million that was shifted into Bowie State University's base budget in fiscal 2007. Access and Success includes \$1.5 million for each institution that was shifted into their base budgets in fiscal 2007.

Source: Maryland Higher Education Commission; Department of Legislative Services

Private Institutions

In addition to providing oversight of Maryland's public higher education institutions, the Maryland Higher Education Commission also has oversight over the private institutions in the State, including both nonprofit and for-profit institutions. The commission is responsible for administering the Joseph A. Sellinger program, which provides State financial assistance to eligible private nonprofit institutions located in Maryland. Of the 31 private nonprofit institutions located in Maryland, 14 institutions met the criteria and are eligible for funding through the Sellinger program in fiscal 2015. In fiscal 2015, 43,650 full-time eligible students were enrolled in private nonprofit institutions that were eligible for Sellinger program funding.

Additionally, the Maryland higher education system consists of private for-profit institutions and private career schools. In order for these institutions to operate in the State, the institutions must obtain a certificate of approval from the commission if they have a physical presence in the State. Currently, 16 private for-profit institutions and 146 private career schools have been approved by the commission to operate in Maryland.

State Aid to Private Nonprofit Institutions

Recognizing their importance as an educational resource, the State provides private nonprofit institutions with financial assistance through the Joseph A. Sellinger funding formula (§ 17-101 of the Education Article). The Sellinger formula was established in 1973 to improve the financial position of private nonprofit institutions in Maryland in an era in which several institutions faced significant financial challenges. During this period, four independent institutions in Maryland discontinued operations and a fifth, the University of Baltimore, requested a public takeover to remain open due to financial difficulties. The Pear Commission, established to study these issues and ways in which the State could assist, found evidence indicating that most private nonprofit institutions would experience increasing gaps between operating revenues and expenditures without additional State assistance and recommended what today is known as the Sellinger formula. The Sellinger formula is designed to provide financial assistance to all eligible institutions, regardless of financial stability.

To qualify for the Sellinger formula, an institution of higher education must meet one of the following conditions: (1) be a private nonprofit institution that was established in the State before July 1, 1970; (2) be a private nonprofit institution of higher education that formerly received State aid as a component of a private college or university that was established in the State prior to July 1, 1970; or (3) be a private nonprofit institution that is established in the State and grants an associate of arts degree. In addition, an institution must be approved by both the Maryland Higher Education Commission and accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools. An institution must also have awarded associate of arts or baccalaureate degrees to at least one graduating class and maintain one or more degree programs, other than seminarian or theological programs, leading to an associate of arts or baccalaureate degree. Finally, an institution must submit each new program and each major modification of an existing program to the Maryland Higher Education Commission for its review and recommendation as to the initiation of the new or modified program.

Fourteen institutions met the statutory criteria to receive funding in fiscal 2015. Funds are distributed to each institution based on each institution's proportion of the total full-time equivalent enrollment at eligible institutions. In fiscal 2015, \$41.4 million was appropriated to the private nonprofit institutions, as shown in Exhibit 4.11, after the amount was reduced by \$3 million by the Board of Public Works due to fiscal constraints.

Exhibit 4.11
Joseph A. Sellinger Program of State Aid to Private Nonprofit Institutions
Fiscal 2015

<u>Eligible Private Institutions</u>	<u>FTES</u>	<u>FY 2015 Appropriation</u>
Capitol College	524.13	\$497,379
Notre Dame of Maryland University	1,538.53	1,460,006
Goucher College	1,727.07	1,638,923
Hood College	1,625.90	1,542,917
Johns Hopkins University	19,082.53	18,108,588
Loyola University	5,050.33	4,792,569
Maryland Institute College of Art	2,149.77	2,040,049
McDaniel College	2,301.80	2,184,320
Mount St. Mary's University	1,849.00	1,754,630
St. John's College	577.93	548,433
Sojourner-Douglass College	901.93	855,897
Stevenson University	3,850.35	3,653,834
Washington Adventist University	879.53	834,640
Washington College	1,591.27	1,510,054
Total	43,650.07	\$41,422,240
Grant Per FTES		\$948.96

FTES: Full-time equivalent student

Note: Reflects July 2014 cost containment made by the Board of Public Works.

Source: *Fiscal 2015 Governor's Budget Books*; Maryland Higher Education Commission

Regulating Online Distance Education Programs

Online learning has been rapidly growing in both availability and popularity. Many institutions of postsecondary education offer online courses in addition to traditional face-to-face courses, and some institutions offer only online courses. More than 1,300 public, private nonprofit, and for-profit institutions offer online postsecondary higher education in the United States.

Maryland institutions offering online programs must go through the academic program approval process, but out-of-state institutions offering online programs are not covered by those provisions of law. Chapters 595 and 596 of 2012 established registration requirements for institutions of higher education that enroll Maryland students in a fully online distance education program. An institution required to register with the Maryland Higher Education Commission must be accredited by an accrediting body recognized and approved by the U.S. Department of Education and also meet a number of specified financial conditions and business practices, including complying with the student refund policy and procedures established by the commission. An institution required to register must pay a fee set in regulation and may be required to furnish a bond or other form of financial guarantee to the State, to be used to reimburse any student who is entitled to a refund due to the institution's breach of agreement or contract with the student or the State.

Chapter 490 of 2013 exempted institutions that participate in the Southern Regional Education Board's Electronic Campus from the requirement to register in Maryland. At least twice per year, the commission must peruse federal databases and other information sources to determine whether Maryland students are enrolled in fully online distance education programs offered by institutions that are required to register, but have failed to do so.

The commission reports that 121 institutions (34 public, 46 private nonprofit, and 41 private for-profit) had registered by July 1, 2013, the first year of implementation, and 134 institutions (26 public, 55 private nonprofit, and 53 private for-profit) had registered by July 1, 2014, the first year during which institutions that participate in the Southern Regional Education Board's Electronic Campus were exempt from the requirement to register.

Regional Higher Education Centers

Organization

A regional higher education center (regional center) is a facility at which at least two institutions of higher education offer classes, consisting of a variety of program offerings and multiple degree levels. Regional centers are designed to ensure access to higher education in underserved areas of the State. The regional centers provide baccalaureate and graduate programs in places where students do not have access due to geographical distance, commute time, or the limited capacity of local four-year institutions. The regional centers offer the State an opportunity to address workforce needs in high-demand areas, particularly for nontraditional students, and to support State, regional, and local economic development goals.

There are eight regional centers located throughout Maryland. The University System of Maryland operates two of the regional centers: the Universities at Shady Grove and the University System of Maryland at Hagerstown. The other six are independent regional centers that are coordinated by the commission and exist in areas not served by comprehensive four-year institutions of higher education: Anne Arundel Community College Regional Higher Education Center at Arundel Mills; Eastern Shore Higher Education Center; University Center of Northeastern Maryland (formerly the Higher Education and Applied Technology Center); Laurel College Center; Southern Maryland Higher Education Center; and Waldorf Center for Higher Education.

Since 2000, the Maryland Higher Education Commission has been responsible for the coordination of regional centers. The commission is responsible for approving the mission statements of all eight of the regional centers, ensuring that the programs and courses offered are within the scope of the approved mission statements, approving any new regional centers, and making recommendations for State funding for the regional centers to the Governor and the General Assembly. For the six regional centers independent of the University System of Maryland, the commission is also responsible for administering operating funding. The University System of Maryland administers operating funding for the Shady Grove and Hagerstown centers.

The Southern Maryland Higher Education Center is the only regional center in the State established in statute. Chapter 282 of 1994 created the regional center to serve the higher education and professional training needs of the Southern Maryland region. The impetus for the regional center was the tremendous growth at Patuxent River Naval Air Station from the Base Realignment and Closure decisions in the 1990s. Many of the new jobs at the Naval Air Station were highly skilled positions that required advanced degrees or other professional training. The Governor appoints 13 voting members to the regional center's Board of Governors, which oversees the regional center and selects its executive director.

Each of the eight regional centers has its own system of governance. The governance structure of a regional center directly impacts institutional participation and the academic offerings at each regional center. Some regional centers permit participation from all types of institutions whether they are in-state, out-of-state, for-profit, or nonprofit. Other regional centers are limited by their governance structure to working only with certain types of or specific institutions. For example, the regional centers governed by the University System of Maryland have adopted a policy that requires the constituent institutions of the system to have a right of first refusal to provide programs at those regional centers. An institution outside the University System of Maryland can provide a program at these regional centers only if a constituent institution cannot or will not provide the necessary program. Currently, there are no programs being offered at the University

System of Maryland regional centers by institutions that are not constituent institutions of the system.

The State's eight regional centers offer a variety of lower- and upper-level undergraduate degree programs, as well as graduate and professional degree programs through participating institutions. For example, the largest regional center, the Universities at Shady Grove, offers over 70 degree programs ranging from a bachelor's degree in respiratory therapy to a master's degree in social work to a doctoral degree program in pharmacy. On the other hand, the Laurel College Center only offers six bachelor's degree programs and one master's certification. Exhibit 4.12 describes the characteristics of each regional center.

Exhibit 4.12
Summary of Regional Higher Education Centers in Maryland

<u>Center (Fiscal Year Established)</u>	<u>FTES (Budgeted FY 2015)¹</u>	<u>Degree Programs</u>	<u>Number of Participating Institutions</u>
Universities at Shady Grove (1996)	2,782	33 Bachelor's 2 Undergraduate Certifications 26 Master's 7 Graduate Certifications 4 Doctoral	9
University System of Maryland at Hagerstown (2005)	300	16 Bachelor's 21 Master's 8 Graduate Certifications 1 Doctorate	6
University Center of Northeastern MD (formerly Higher Education and Applied Technology Center (1995))	129	13 Bachelor's 9 Master's 1 Doctorate	6

Exhibit 4.12 (continued)

<u>Center (Fiscal Year Established)</u>	<u>FTES (Budgeted FY 2015)¹</u>	<u>Degree Programs</u>	<u>Number of Participating Institutions</u>
Southern Maryland Higher Education Center (1995)	422	12 Bachelor's 26 Master's 12 Graduate Certifications 4 Doctorate	14
Waldorf Center for Higher Education (1997) ²	485	9 Undergraduate Certifications 6 Master's 14 Graduate Certifications 1 Doctorate	3
Eastern Shore Regional Higher Education Center (2002)	163	8 Bachelor's 1 Undergraduate Certification 8 Master's 2 Graduate Courses 1 Doctoral	6
Laurel College Center (2004)	653	6 Bachelor's 1 Master's	3
Anne Arundel Community College Regional Higher Education Center at Arundel Mills (2005)	1,502	8 Bachelor's 3 Master's 1 Applied Doctoral 6 Graduate Certifications	5

FTES: Full-time equivalent student

¹Full-time equivalent students reported include lower division undergraduates who plan to articulate (continue) to baccalaureate programs offered at the regional higher education center (also known as “2+2” program participants); upper division undergraduates; and graduate students.

²Waldorf offers 60 associate degree programs available from the College of Southern Maryland.

Source: Maryland Higher Education Commission

Funding

The two University System of Maryland regional centers are funded as line items in the University System of Maryland Office budget, while the other six are funded by grants through the Maryland Higher Education Commission's operating budget. In 2005, the General Assembly charged the Maryland Higher Education Commission with developing an equitable, consistent, and ongoing funding strategy for the non-University System of Maryland regional higher education centers. The resulting strategy contains the following components:

- base allocation for each regional center (\$200,000);
- incentive funding for full-time equivalent students (2+2 lower division, upper division, and graduate) tied to the inflation-adjusted fiscal 2005 general fund appropriation per full-time equivalent student at the Universities at Shady Grove;
- lease funding for regional centers that lease space; and
- special funding for one-time projects or startup costs.

The funding strategy was first partially funded in fiscal 2009. For non-University System of Maryland regional centers, funding had increased by 45.7% by fiscal 2014 but was flat in fiscal 2015. However, not all regional centers are created or funded equally. For comparison, the two University System of Maryland regional centers declined 4.4% in enrollment but will receive an additional \$320,000, or 3.3%, in fiscal 2015. In total, University System of Maryland regional centers receive about \$7.5 million more in State support than the non-University System of Maryland regional centers. In addition, the Maryland Higher Education Commission is currently working on two regional higher education assessments to determine needs in Frederick County and in Northeastern Maryland. Exhibit 4.13 shows the State appropriation for each regional center in fiscal 2012 through 2015.

Exhibit 4.13
Regional Higher Education Centers State Funding
Fiscal 2012-2015

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
AACC RHEC at Arundel Mills	\$228,217	\$238,387	\$302,900	\$365,948
Eastern Shore Higher Ed Center	218,769	246,322	313,705	346,110
University Center of Northeastern MD	277,041	329,919	498,556	488,401
Laurel College Center	216,082	225,159	314,298	284,960
Southern Maryland Higher Ed. Ctr.	320,057	422,855	718,587	719,592
Waldorf Center for Higher Ed.	239,834	287,358	401,954	344,989
Subtotal Non-USM RHECs	\$1,500,000	\$1,750,000	\$2,550,000	\$2,550,000
Universities at Shady Grove	\$7,260,990	\$7,260,990	\$7,797,854	\$8,097,257
Hagerstown Center	1,891,592	1,891,592	1,895,910	1,916,614
Subtotal USM RHECs	\$9,152,582	\$9,152,582	\$9,693,764	\$10,013,871
Total All RHECs	\$10,652,582	\$10,902,582	\$12,243,764	\$12,563,871

AACC: Anne Arundel Community College
RHEC: Regional Higher Education Center
USM: University System of Maryland

Source: Maryland Higher Education Commission

Meeting Regional Needs through Institution Partnerships

Towson University has a new partnership with Harford Community College. The university built the first four-year academic building on the campus of a community college in Maryland. The building, which opened for the fall 2014 semester, will be used for instructional space.

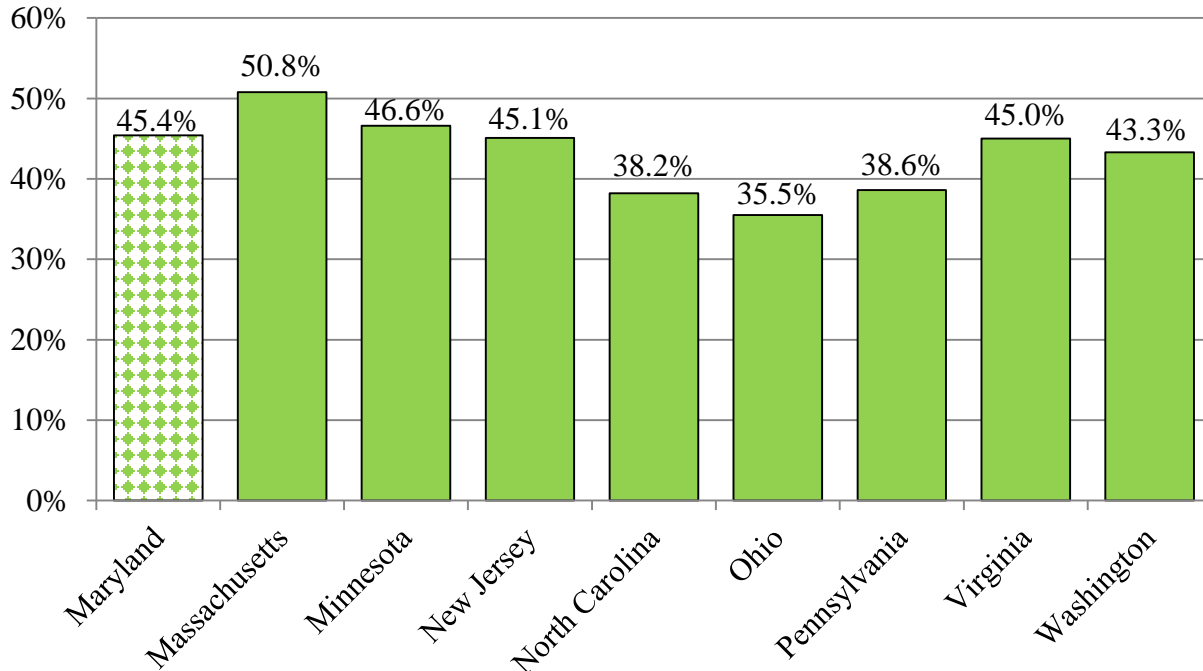
Complete College America Alliance of States

In 2009, 17 states, including Maryland, joined the Complete College America Alliance of States. The alliance is now comprised of 33 states that have made completion a top priority by establishing degree and credential completion goals. State goals vary: Ohio's goal is to enroll 230,000 more students by 2017 and increase graduates by 20%; Vermont aspires to increase the percentage of residents who have completed at least a

two-year degree from 42% to 60% by 2019; and Indiana's goal is to have 1 of the top 10 completion rates, requiring the production of an additional 10,000 postsecondary credentials per year until 2025.

In 2009, Governor Martin O'Malley announced Maryland's completion goal – by 2025, at least 55% of the State's residents aged 25 to 64 years old will hold at least an associate's degree. This would be a 10.6 percentage point increase from 2009, when 44.4% of those aged 25 to 64 held an associate's degree or higher. This rate improved to 45.4% in 2011, ranking Maryland eighth in the nation according to the National Center for Higher Education Management Systems. Maryland's rate compares favorably to its competitor states, which are the states that Maryland primarily competes with for employers. As shown in Exhibit 4.14, only Massachusetts' and Minnesota's rates exceed Maryland's by 5.4 and 1.2 percentage points, respectively.

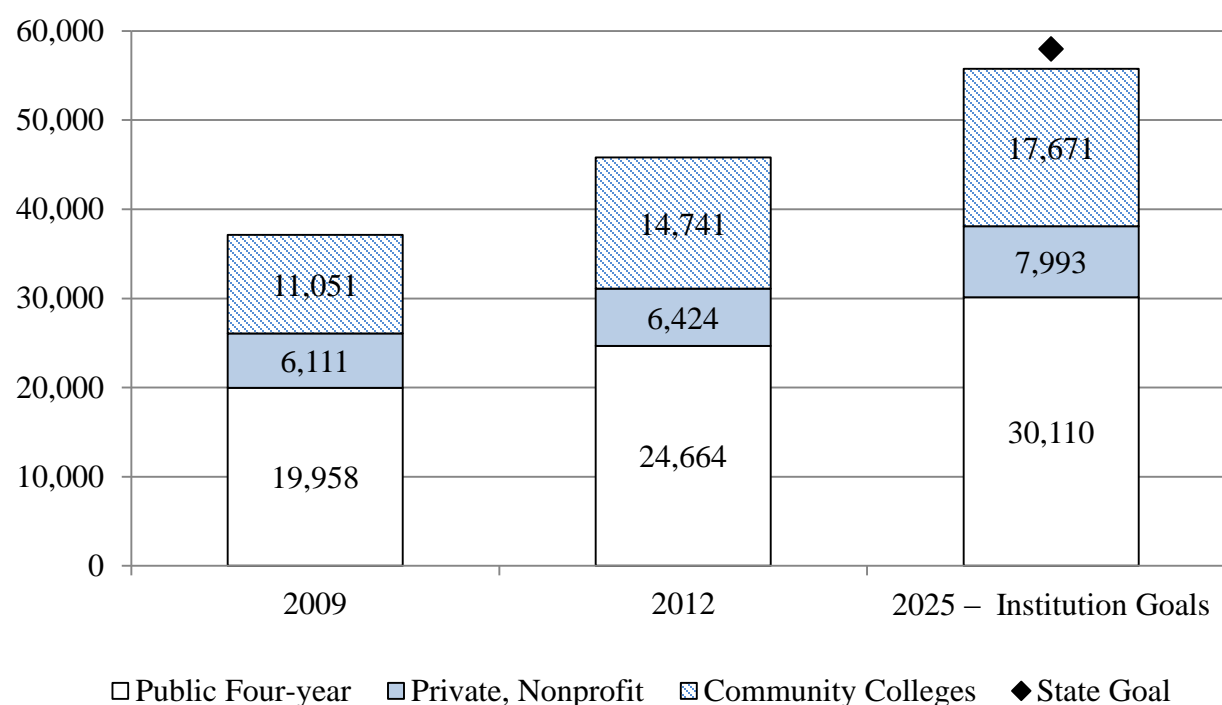
Exhibit 4.14
Percentage of Adults 25 to 64 with Associate's Degree or Higher
Maryland and Competitor States
2011



Source: The National Center for Higher Education Management Systems

In order for Maryland to achieve the 55% goal by 2025, the State's institutions will need to award approximately 58,000 degrees annually before 2025. In response, Maryland's higher education institutions set targets and developed plans to help the State reach the target. The University System of Maryland and Morgan State University plan to increase completion through enrollment growth, mainly due to improved retention efforts and new enrollment beyond projected levels. The University System of Maryland plans to increase annual degree production by 40.6%, or nearly 8,100 degrees, by 2020 as compared to 2010. To achieve this would require an increased enrollment of about 26.0% during this time period. Each community college campus also set an individual completion target with a combined goal of increasing degree production by 58.0% by 2025, which will also be primarily achieved through increased retention. As shown in Exhibit 4.15, these strategies and goals will result in approximately 55,774 degrees by 2025, slightly short of the 58,000 target.

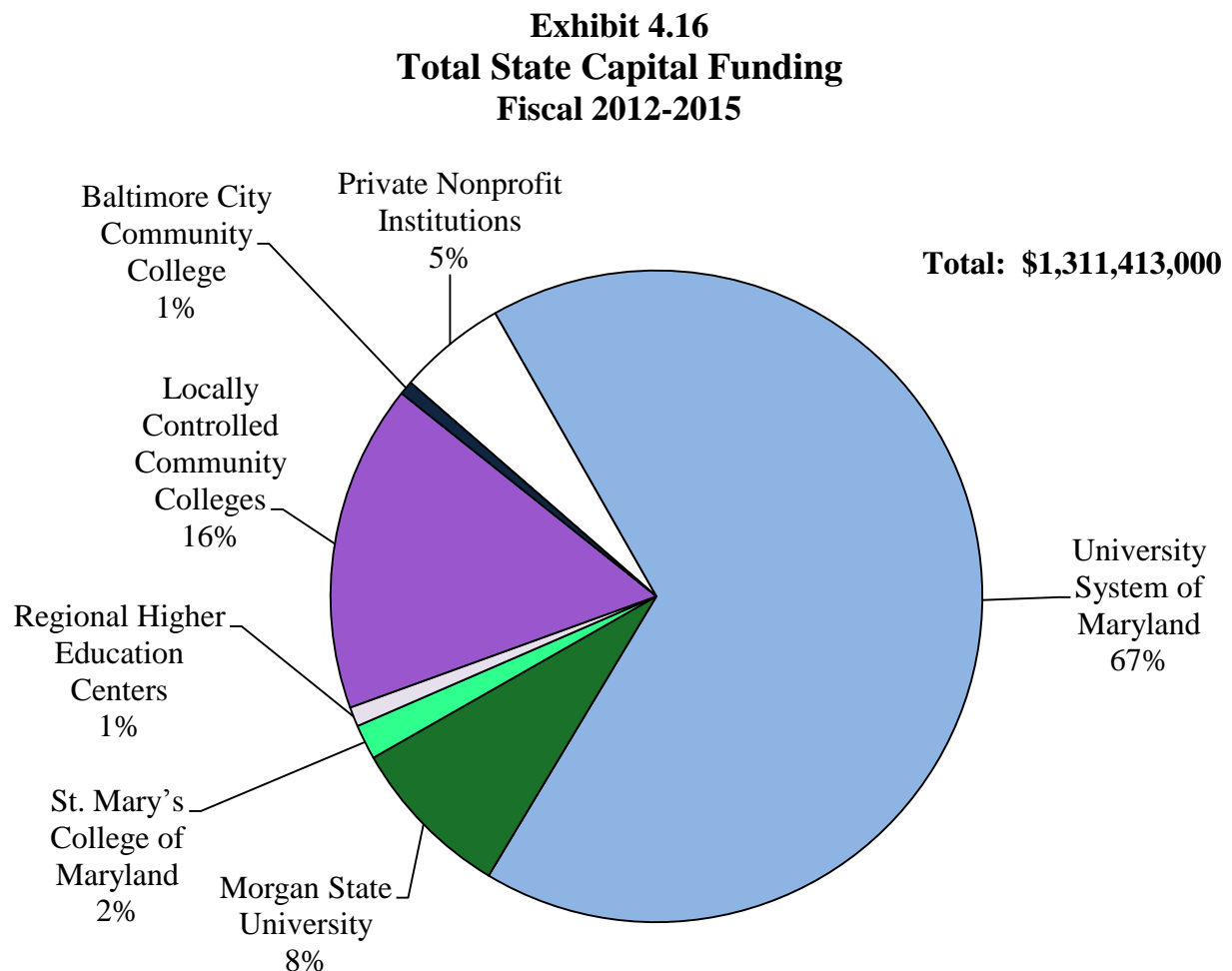
Exhibit 4.15
Degree Production by Maryland Higher Education Segments
Progress Toward 55% Goal



Source: *Data Book 2009* and *Data Book 2012*, Maryland Higher Education Commission; Department of Legislative Services

State Capital Funding

Capital funding for higher education institutions from fiscal 2012 through 2015 totaled just over \$1.3 billion. The majority of State-supported capital funds went to public four-year institutions, with community colleges receiving the next largest share, as shown in Exhibit 4.16. Of the \$1.0 billion that public-four year institutions received, \$876.6 million went to University System of Maryland institutions. This figure includes \$123.0 million of system-issued academic revenue bonds, which are issued directly by the University System of Maryland and authorized by the General Assembly annually through legislation apart from the State's capital budget.



Source: Department of Budget and Management; Department of Legislative Services

Beginning in fiscal 2013, the University System of Maryland began to request \$5 million more in academic revenue bonds than had been authorized each year previously. This additional money is targeted for facility renewal needs at the University of Maryland, College Park and is expected to continue for several years. Morgan State University and St. Mary's College of Maryland are also authorized to issue academic revenue bonds with legislative approval. Baltimore City Community College was granted this authority in 2009 but has not used it. Exhibit 4.17 shows funding by institution or segment of higher education. More information is provided below for each segment.

Exhibit 4.17
Capital Funding by Type of Institution
Fiscal 2012-2015
(\$ in Thousands)

<u>Institution</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
UM, Baltimore	\$4,000	\$4,672	\$16,570	\$49,000
UM, College Park	35,100	48,035	30,705	42,446
Bowie State University	2,957	5,266	6,000	23,842
Towson University	1,200	11,700	11,512	1,500
UM Eastern Shore	3,600	0	22,695	60,755
Frostburg State University	10,054	44,550	9,843	400
Coppin State University	0	38,775	56,198	10,300
University of Baltimore	41,493	4,037	1,000	2,775
Salisbury University	1,500	1,900	7,472	45,000
UM Baltimore County	41,200	34,225	38,068	14,106
UM University College	0	0	0	0
UM Center for Environmental Science	0	1,150	2,350	10,604
USM Office	17,000	27,000	17,000	17,000
<i>Subtotal, USM Institutions</i>	<i>\$158,104</i>	<i>\$221,310</i>	<i>\$219,413</i>	<i>\$277,728</i>
Morgan State University	6,071	29,685	54,861	16,170
St. Mary's College of Maryland	0	310	4,580	17,850
Regional Centers	935	0	6,500	5,300
Community Colleges	58,091	37,629	52,035	65,405
Baltimore City Community College	2,250	6,686	0	0
Private Nonprofit Institutions	10,000	11,000	10,500	9,000
High Performance Data Center	0	3,000	12,000	15,000
Total	\$235,451	\$309,620	\$359,889	\$406,453

UM: University of Maryland

USM: University System of Maryland

Note: Includes general obligation bonds and academic revenue bonds. The capital appropriation to the USM Office is the total amount that is distributed to individual institutions for facility renewal needs.

Source: Department of Legislative Services, *90 Day Reports*

Public Four-year Institutions

The University System of Maryland, Morgan State University, and St. Mary's College of Maryland all have five-year capital improvement plans. The plans prioritize capital improvements, including new facilities and facilities renewal. Projects funded by the State must go through the State's capital budget process. The State also prepares a five-year capital improvement plan known as the *Capital Improvement Program*, which reflects projects proposed to be funded by the State in the upcoming capital budget and in the next four years.

The State capital budget authorizations for all segments of higher education totaled \$406.5 million in fiscal 2015. For fiscal 2015, four-year institutions accounted for 76.7% of the capital budget, including both general obligation bonds and academic revenue bonds. General obligation bonds are issued by the State, while academic revenue bonds are issued directly by the University System of Maryland, Morgan State University, and St. Mary's College of Maryland and authorized by annual legislation.

A significant number of projects are funded independent of the State's capital budget using auxiliary revenue bonds, cash, or external sources. University System of Maryland projects funded outside the State's capital budget in fiscal 2015 totaled \$125.5 million. Most are auxiliary expenses and are not eligible for general obligation bonds, such as dormitory renovations. Occasionally, even though a project could qualify for State funding a project is funded independent of the capital budget process because of the length of time it can take for a project to first appear in the State's *Capital Improvement Program* list and then receive funding. Using auxiliary revenue bonds, cash, and external sources of revenue allows projects deemed most important to proceed at an accelerated rate.

Regional Higher Education Centers

Regional higher education centers receive capital funding to support the delivery of higher education to unserved and underserved areas of the State or to support areas where it is determined that there is a need (*e.g.*, specific workforce development or skills training). Capital funding can support construction, operation, or maintenance of a physical plant consistent with the approved mission statement of the regional center.

Baltimore City Community College

As Maryland's only State-operated community college, Baltimore City Community College has a five-year plan for capital improvements similar to the public four-year institutions. Projects funded by the State must go through the State's capital budget process.

Locally Controlled Community Colleges

Community colleges receive State grant assistance for construction or improvement of facilities through the Community College Construction Grant Program administered by the Maryland Higher Education Commission. The level of State assistance is determined by two criteria: the proportion of a project that meets the eligibility requirements for State support, and the State/local cost sharing formula prescribed by statute. For regional colleges, State support may provide up to 75% of project costs, while other community colleges may receive between 50% and 70%, depending on the wealth of the jurisdiction. Grants are funded through general obligation bonds issued by the State.

Community colleges eligible for funding through the State grant program received \$65.4 million in fiscal 2015. Exhibit 4.18 shows the distribution of funding to the community colleges. Funding for the program increased from \$32.4 million to \$78.7 million between fiscal 2002 and 2011, and fiscal 2015 returns to approximately the fiscal 2008 funding level. In recent years it has been possible for a project to be funded over multiple fiscal years; this is known as split-funding. Split-funding recognizes that construction projects may take several years and allows more projects to receive funding during a fiscal year. Community colleges may use local or other funding to pay for construction projects that are ineligible for State support or if the institution does not want to wait for the project to be funded.

At the request of the General Assembly, community colleges began to submit their capital budget request in priority order in the 2008 session. The community colleges developed a priority formula with which to rate and rank capital projects, which allows the budget committees to better understand the State's most pressing needs. The formula takes into account current and projected space needs, type of project, project phase, and individual campus priorities.

Exhibit 4.18
Authorized Capital Funding for Community Colleges
Fiscal 2015
(\$ in Thousands)

<u>College</u>	<u>Total</u>	<u>Percent of State Total</u>
Allegany	\$0	0%
Anne Arundel	0	0%
Baltimore	15,922	24%
Carroll	0	0%
Cecil	0	0%
Chesapeake	19,918	30%
Frederick	4,049	6%
Garrett	0	0%
Hagerstown	99	0.2%
Harford	0	0%
Howard	766	1%
Montgomery	14,446	22%
Prince George's	3,500	5%
Southern Maryland	5,882	9%
Wor-Wic	1,813	3%
<i>Subtotal</i>	<i>\$66,395</i>	
Program Fund Balance	-1,000	
Total	\$65,395	

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services; Department of Budget and Management

Private Nonprofit Institutions

Capital funds are provided for grants to assist the State's private nonprofit institutions with the cost of constructing and renovating academic facilities and infrastructure through the Private Higher Education Facilities Grant Program that was established in 1976. The grants leverage institutional resources and private donations, which must at least match the State appropriation for each project. Grants are funded through general obligation bonds issued by the State. The capital grant requests of the private nonprofit institutions are prioritized by the Maryland Independent College and

University Association and submitted to the Maryland Higher Education Commission and the Department of Budget and Management. From fiscal 2012 through 2015, the State has authorized \$40.5 million in grants for this program.

High Performance Data Center

The High Performance Data Center is a 13,250 square foot facility to house modular high performance data storage and computer servers for researchers at The Johns Hopkins University and the University of Maryland, College Park. Of the \$27 million in total State funds for this project in fiscal 2014 and 2015, \$12 million is for equipment. This includes numerous computer servers, which are expensive and have a limited lifespan due to rapidly changing computer technology. The institutions believe the scientific and economic development created by the High Performance Data Center will create valuable synergy between higher education institutions and the private sector at a time when technology transfer has become a focus for the State's workforce and economic development.

Collective Bargaining

Various State employees at public institutions of higher education have been granted certain collective bargaining rights. Similar to the system established for State employees, the affected higher education parties may bargain over wages, hours, and other terms and conditions of employment. The employer's representative and the employees' exclusive representative have the authority to "meet and confer" and execute a memorandum of understanding incorporating all matters of agreement reached. As with regular State employees, there is a provision for nonbinding fact-finding. To the extent that the matters of agreement require legislative approval, these matters must be recommended to the General Assembly, which is not bound by the agreement.

Prior to the establishment of collective bargaining for State higher education employees, there was a statutory requirement that these employees receive the same compensation and benefits package as State employees. This requirement no longer exists, and each group of State employees must negotiate its own compensation and benefits independently. While an independent Higher Education Labor Relations Board oversees collective bargaining for State four-year institutions of higher education, there is no statewide authority for local community colleges to collectively bargain.

Public Four-year Institutions

Of the 14 public four-year institutions, 11 are required to create bargaining units for employees who are exempt from the federal Fair Labor Standards Act of 1938, as amended,

nonexempt employees, and sworn police officers; three institutions (the University of Maryland, Baltimore, the University of Maryland Center for Environmental Sciences, and the University of Maryland University College) are only required to create bargaining units for exempt employees and nonexempt employees, which generally includes administrative and other staff. Faculty are not included. The potential exists for the establishment of up to 39 bargaining units (11 institutions with 3 units each and 3 institutions with 2 units each), but University System of Maryland institutions are allowed to cooperate with each other for the purposes of collective bargaining.

Most of the bargaining units for State higher education employees have elected an exclusive representative. There are currently 31 bargaining units from 14 public four-year institutions of higher education certified as “eligible for exclusive representative election” by the board. Exhibit 4.19 contains a list of the institutions, bargaining units, and exclusive representation. In order to be certified, an employee organization must submit a petition showing that at least 30% of the eligible employees in a bargaining unit wish to be represented by the petitioning organization. Other employee organizations may participate in the election if they prove that 10% of the eligible employees in the bargaining unit wish to be represented by them. Once the board certifies a petition, an election by secret ballot must be held within 90 days.

Exhibit 4.19
Public Four-year Institutions
Unions Certified for Exclusive Representative Election by the
State Higher Education Labor Relations Board
2014

<u>Institution</u>	<u>Exempt Employees</u>	<u>No. of Employees</u>	<u>Nonexempt Employees</u>	<u>No. of Employees</u>	<u>Sworn Police Officers</u>	<u>No. of Employees</u>
UM Baltimore			AFSCME	838	FOP	35
UM, College Park	AFSCME	1,625	AFSCME	3,215	FOP	68
Bowie State University	AFSCME	59	AFSCME	89	AFSCME	12
Towson University					FOP	38
UM Eastern Shore	AFSCME	100	AFSCME	347	AFSCME	12
Frostburg State University	AFSCME	120	AFSCME	236	MCEA	13
Coppin State College	AFSCME	44	AFSCME	68	AFSCME	11
University of Baltimore			AFSCME	133	AFSCME	12
Salisbury University			MCEA	26	MCEA	14
UM University College			AFSCME	114		
UM Baltimore County			AFSCME	339	FOP	21
UM Center for Env. Science			MCEA	24		
Morgan State University			AFSCME	166	FOP	25
St. Mary's College of MD	AFSCME	31	AFSCME	73	AFSCME	0

AFSCME: American Federation of State, County, and Municipal Employees

FOP: Fraternal Order of Police

MCEA: Maryland Classified Employees Association

UM: University of Maryland

Source: University System of Maryland; Morgan State University

Community Colleges

Most local community college employees do not have collective bargaining rights through their positions with local community colleges. In order for community colleges to have collective bargaining rights, individual legislation by college is required. Currently, some employees who work for the Community College of Baltimore County, Montgomery College, Prince George's Community College, and Baltimore City Community College have collective bargaining rights. Exhibit 4.20 shows collective bargaining units for community colleges.

Exhibit 4.20
Community Colleges
Unions Certified for Exclusive Representative Election by the
State Higher Education Labor Relations Board
2014

<u>Institution</u>	<u>Exempt Employees</u>	<u>No. of Employees</u>	<u>Nonexempt Employees</u>	<u>No. of Employees</u>	<u>Sworn Police Officers</u>	<u>No. of Employees</u>
Baltimore City Community College	AFSCME	87	AFSCME	90	AFSCME	9
Community College of Baltimore County	-	-	AFSCME	125	-	-
	-	-	CWA	335	-	-
Montgomery College	AAUP (full-time faculty)	595	AFSCME	513	-	-
	SEIU (part-time faculty)	981				
	AFSCME (staff)	13				
Prince George's Community College	-	-	AFSCME	316	AFSCME	12

AAUP: American Association of University Professors

AFSCME: American Federation of State, County, and Municipal Employees

CWA: Communications Workers of America

SEIU: Service Employees International Union

Source: Baltimore City Community College; Community College of Baltimore County; Montgomery College; Prince George's Community College

Chapter 915 of 1977 granted the Community College of Baltimore County collective bargaining rights, and all classified (nonfaculty) employees have collective bargaining rights. Chapter 1015 of 1978 granted Montgomery College collective bargaining rights, and all employees (including faculty) except supervisory, confidential

employees, and student assistants have collective bargaining rights. Chapter 539 of 2001 granted Prince George's Community College collective bargaining rights, and all eligible classified (nonfaculty) employees of the college, including all skilled professional service and skilled and nonskilled service employees, have collective bargaining rights.

Chapter 113 of 2005 moved all of Baltimore City Community College employees into the college's independent personnel system. Prior to 2005, some Baltimore City Community College employees were in the college's personnel system while others were in the State personnel system. At Baltimore City Community College, specified nonfaculty employees including nonexempt, exempt, and sworn police officers have collective bargaining rights.

College Savings Plans of Maryland

Established in 1997, the College Savings Plans of Maryland is an independent agency with a mission to provide simple, convenient ways for Maryland families to save in advance for college and reduce future reliance on loans. College Savings Plans of Maryland currently offers two savings plans for higher education: a defined benefit plan called the Maryland Prepaid College Trust and an investment plan called the Maryland College Investment Plan. A 10-member board administers the trust and oversees the administration of the plan. Five board members serve by virtue of the State office they hold, including the State Treasurer, the State Comptroller, the Secretary of the Maryland Higher Education Commission, the State Superintendent of Schools, and the Chancellor of the University System of Maryland. The Governor appoints the five remaining members.

Both plans are also known as 529 plans after the section in the Internal Revenue Code that allows an individual to either prepay or contribute to an account established for paying a student's qualified education expenses at an eligible educational institution. A qualified educational institution includes any college, university, vocational school, or other postsecondary educational institution eligible to participate in a U.S. Department of Education student aid program. Both plans offer federal and State tax benefits, including federal and State taxes deferred on growth; federal and State tax-free earnings, provided funds are used for eligible college expenses; and a State income tax deduction of contributions to one or both plans up to \$2,500 annually per account or beneficiary, depending on the plan. Excess annual contributions over \$2,500 may be carried forward and deducted in future years.

The College Savings Plans of Maryland is self-funded through fees and does not receive funding from the State. The prepaid trust was provided interest-free loans in fiscal 1998, 1999, and 2000 totaling \$650,000 from the Maryland Higher Education Commission to subsidize its start-up operations until it became self-funding. The loans

were fully paid off in fiscal 2006. The agency's budget must be approved by the College Savings Plans of Maryland Board annually.

Maryland Prepaid College Trust

The Maryland Prepaid College Trust allows interested persons, on behalf of a child, to prepay the cost of higher education tuition and mandatory fees by purchasing a contract based on the current weighted average tuition and mandatory fees at Maryland public colleges, the selected payment plan, the number of years until the child enters college, and other factors. Investments are not backed by the full faith and credit of the State but do carry a legislative guarantee, which states that the Governor must include funds in the budget to meet the full benefits that have been committed to account holders. However, the legislature has final approval of the budget.

Participation in the trust began in 1998 and is open to any U.S. citizen if the account holder and/or the beneficiary is a Maryland or District of Columbia resident. Enrollment is open to children from newborns through twelfth grade, but an account must be open for at least three years before payment of benefits. The enrollment period is generally from December to April, but newborns may be enrolled year round until their first birthday.

Each account holder enters into a contract with the trust for prepayment of tuition and mandatory fees for a specified number of years of community college and/or semesters or years of university tuition. Payments may be made in single, monthly, or annual installments. For a child enrolled in a Maryland public college or university, the trust will pay full in-state tuition and mandatory fees. If a child attends an eligible private or out-of-state college, the trust will pay up to the weighted average tuition of Maryland public colleges and universities. The contract also includes a minimum benefit provision to protect participants from receiving a tuition benefit that is less than the amount paid into the account.

Maryland College Investment Plan

The Maryland College Investment Plan allows contributions to an investment account established to provide for tuition, fees, books, supplies, equipment, and room and board for a designated beneficiary. Under the plan, participants accept a level of investment based on their selected investment option. Account values in the investment plan are based solely on contributions and investment performance and are not guaranteed by the State.

The plan began in December 2001 and is open to children or adults of any age. Enrollment is open year round and investors may choose how much and how often they wish to contribute. Contributions and investment earnings are available for eligible higher education expenses including tuition, fees, room and board, and other expenses defined by Section 529 of the Internal Revenue Code.

Maryland Broker-Dealer College Investment Plan

Chapter 548 of 2008 allowed the College Savings Plans of Maryland Board to establish and administer a Maryland Broker-Dealer College Investment Plan. When established, the plan will allow Maryland families who invest through private investment advisors to participate in a Maryland college savings plan. Prior to the enactment of Chapter 548, brokers did not have an incentive to direct clients to invest in one of the existing college savings plans because participants enroll themselves directly in the program; therefore, the broker would not receive a commission. In 2009, the College Savings Plans of Maryland Board met to discuss implementation of a broker-dealer plan, including regulatory issues, models used in other states, financial and legal implications of advisor plans, and a proposed timeline for implementation; however, a broker-dealer plan had not been implemented as of summer 2014.

Chapter 5. Public Four-year Institutions

Mission and Enrollment

Maryland has 14 public four-year institutions: 7 hold a Carnegie Classification of a Master's College and University; 4 are classified as a type of research university; 1 is classified as a Baccalaureate College; 1 is classified as a special focus institution since it is a medical school; and 1 is not currently classified by Carnegie. This includes the State's 4 public historically black colleges and universities. Enrollment at these institutions totaled 128,334 full-time equivalent students in fiscal 2013. In June 2014, the Maryland Higher Education Commission released its enrollment projections for the next 10 years, which estimated that the full-time equivalent student enrollment at the public four-year institutions will increase 11% over fiscal 2014 to 142,696 in fall 2023 (fiscal 2024). More detailed information on each of the institutions is provided in Exhibit 5.1.

Exhibit 5.1
Summary of Public Four-year Institutions

<u>Institution</u>	<u>Location</u>	<u>Carnegie Classification¹</u>	<u>Description/ Mission Statement</u>	<u>Combined SAT Score²</u>	<u>FY 2013 FTES</u>
Bowie State University	Bowie, Prince George's County	Doctoral/ Research University ³	First historically black university in Maryland and 1 of the 10 oldest in the country; offering 23 bachelor's, 19 master's, and 2 doctoral programs.	890	4,308
Coppin State University	Baltimore City	Master's Colleges and Universities (smaller programs)	Regional comprehensive, historically black university; offering 32 bachelor's, 11 master's, and 1 doctoral program.	877	2,773

Exhibit 5.1 (continued)

Frostburg State University	Frostburg, Allegany County	Master's Colleges and Universities (larger programs)	Regional comprehensive university; only four-year public institution west of the Baltimore-Washington metropolitan area; offering 46 bachelor's, 9 master's, and 1 doctoral program.	980	4,573
Salisbury University	Salisbury, Wicomico County	Master's Colleges and Universities (larger programs)	Regional comprehensive university offering 43 bachelor's, 14 master's, and 1 doctoral program.	1,160	7,862
Towson University	Towson, Baltimore County	Master's Colleges and Universities (larger programs)	Largest regional comprehensive university offering 64 bachelor's, 46 master's, and 4 doctoral programs.	1,088	18,147
University of Baltimore	Baltimore City	Master's Colleges and Universities (larger programs)	Undergraduate and professional institution offering 21 bachelor's, 25 master's, and 2 professional programs.	944	4,792
University of Maryland, Baltimore	Baltimore City	Special Focus Institutions – Medical Schools and Medical Centers	Research institution; only public academic health center in the State; offering 3 bachelor's, 13 master's, and 38 doctoral/professional programs.	n/a	6,518
University of Maryland Baltimore County	Catonsville, Baltimore County	Research Universities (high research activity)	An honor's research university offering 52 bachelor's, 39 master's, and 24 doctoral programs.	1,218	11,082

Exhibit 5.1 (continued)

University of Maryland Center for Environmental Science	Appalachian Laboratory (Frostburg); Chesapeake Biological Laboratory (Solomon's Island); Horn Point Laboratory (Cambridge); Institute of Marine and Environmental Technology (Baltimore)	n/a	A research institute focusing on environmental and natural sciences studies; has been granted candidacy for accreditation status by Middle States Commission to offer one joint graduate degree with University System of Maryland institutions in Marine-Estuarine-Environmental Sciences; administers Maryland sea grant college program; advises policymakers on greater Chesapeake Bay region.	n/a	n/a
University of Maryland, College Park	College Park, Prince George's County	Research Universities (very high research activity)	Original State land-grant institution; legislatively mandated flagship institution; offering 91 bachelor's, 102 master's, and 80 doctoral programs.	1,299	31,331
University of Maryland Eastern Shore	Princess Anne, Somerset County	Master's Colleges and Universities (smaller programs)	Historically black university; 1890 land-grant institution; offering 34 bachelor's, 13 master's, and 7 doctoral programs.	881	4,131
University of Maryland University College	Adelphi, Prince George's County	Master's Colleges and Universities (larger programs)	Specializing in providing adult learners throughout the State and world access to education via online and face-to-face courses; offering 45 bachelor's, 35 master's, and 16 doctoral programs.	n/a	23,997 ⁴

Exhibit 5.1 (continued)

Morgan State University	Baltimore City	Doctoral/Research Universities	Research and historically black university; legislatively mandated public urban university; offering 45 bachelor's, 35 master's, and 16 doctoral programs.	905	6,859
St. Mary's College of Maryland	St. Mary's City, St. Mary's County	Baccalaureate Colleges – Arts & Sciences	Co-educational, liberal arts honors college; offering 25 bachelor's and 1 master's program.	1,187	1,961

n/a: Not applicable.

¹The Carnegie Classification of Institutions of Higher Education prepared by the Carnegie Foundation for the Advancement of Teaching provides a framework for grouping higher education institutions that identifies the commonalities and differences among U.S. colleges and universities in order to make reasonable comparisons among institutions.

²Combined SAT score is the average score on reading and mathematics for entering freshmen for fall 2012 out of a maximum score of 1,600.

³Classifications are time specific snapshots of an institution. At the time of the last update (2008-2009), Bowie State University awarded 22 research doctorates, an unusually high number, resulting in Bowie State University being reclassified as a Doctoral/Research University. It is expected that when the Carnegie classifications are updated, Bowie State University will be reclassified as a Master's College and University.

⁴University of Maryland University College enrollment includes online and face-to-face students in the United States only.

Source: Carnegie Foundation for the Advancement of Teaching (Carnegie Classifications Data File, February 2012); Maryland Higher Education Commission; *Fiscal 2015 State Budget Books*; Department of Legislative Services

The public four-year institutions can be grouped into two categories: institutions within the University System of Maryland and those independent of the University System of Maryland – Morgan State University and St. Mary's College of Maryland.

University System of Maryland

The University System of Maryland encompasses 12 degree-granting institutions including the University of Maryland Center for Environmental Science, which is, at the time of publication, a candidate for accreditation. The Board of Regents is the governing body of the University System of Maryland and consists of 17 members, including a full-time student and the State Secretary of Agriculture (*ex officio*). Except for the Secretary of Agriculture, each member is appointed by the Governor with the advice and

consent of the Senate. Fifteen of the board members serve five-year terms, and the student member is appointed for a one-year term.

The board is responsible for overseeing the operations of the university system, setting tuition and fees, and appointing the chancellor, who serves as the chief executive officer of the system and the chief of staff to the board. The chancellor heads the University System of Maryland Office, which provides leadership, planning, and resource management for the University System of Maryland. The chancellor also assists the board in selecting the president of each institution. The University System of Maryland has greater autonomy than other State agencies in areas such as management of capital projects, creation of debt, development of a personnel system, and procurement, as provided in 1999 legislation (Chapter 515) based on recommendations of the Task Force to Study the Governance, Coordination, and Funding of the University System of Maryland. The University System of Maryland presidents have the authority to create new academic programs on their campuses (with approval of the board and the Maryland Higher Education Commission) and develop and implement policies promoting the mission of their respective institutions.

The board, in consultation with the presidents and the chancellor, establishes standards for funding institutions based on differences in the size and mission of each institution. The budget process starts with the Department of Budget and Management developing preliminary budget targets for the State agencies based on projected State revenues. Once the University System of Maryland receives its preliminary budget target, the board, working with the University System of Maryland Office, determines the allocation of State funds among the University System of Maryland institutions. The institutions work with the University System of Maryland Office to develop their budget requests, which are submitted to the Maryland Higher Education Commission and the Department of Budget and Management for approval. The University System of Maryland negotiates its budget with the Governor, who makes the final decision on the budget that is submitted to the General Assembly.

Degree-granting Institutions

The University System of Maryland has two research institutions (the University of Maryland, College Park and the University of Maryland Baltimore County) and a public academic health center (the University of Maryland, Baltimore). There are three historically black colleges and universities (Bowie State University, University of Maryland Eastern Shore, and Coppin State University) and five institutions with varying missions (Towson University, Frostburg State University, University of Baltimore, Salisbury University, and the University of Maryland University College), as shown in Exhibit 5.1.

The University of Maryland Center for Environmental Science is a research institute focusing on environmental and natural sciences that offers a joint graduate degree in Marine-Estuarine-Environmental Science with other University System of Maryland institutions, an interdisciplinary and inter-institutional program available to any University System of Maryland graduate student. The University of Maryland Center for Environmental Science is a candidate for accreditation, meaning that it is progressing toward accreditation, but it is not assured it will receive accreditation.

University of Maryland Extension Programs

The State's two land grant institutions – the University of Maryland, College Park and the University of Maryland Eastern Shore, also referred to as the 1862 and 1890 land grant institutions, respectively, after the year the Morrill Acts were passed creating land grant institutions – deliver education programs to the State's citizens through the Maryland Cooperative Extension program and the Maryland Agriculture Experimental Station program. The Maryland Cooperative Extension applies practical research-based knowledge to issues facing individual families, communities, and the State, with offices in every county and Baltimore City. The Maryland Agriculture Experimental Station, with five research centers located throughout the State, was established to ensure agriculture research geared toward specific geographic areas would be conducted and the results disseminated to citizens of the State. The programs employ approximately 200 faculty and 200 staff and are funded by federal, State, and local governments. Federal support for these programs was authorized by the Hatch and Smith-Lever Acts for 1862 institutions and the Evans-Allen Act for 1890 institutions. The fiscal 2015 State appropriation for the programs totals \$47.1 million (\$41.9 million for the University of Maryland, College Park and \$5.2 million for the University of Maryland Eastern Shore).

University of Maryland Medical System

The mission of the University of Maryland Medical System is to provide comprehensive care to the local community and serve as the primary site for health care education and research for the University System of Maryland. Although its name, University of Maryland Medical System, leads many to believe that the medical system is part of the University System of Maryland, it is a private, nonprofit corporation that was created by legislation in 1984 to provide governance and management over the operation of the formerly State-run University of Maryland Hospital. However, there is a connection between the University of Maryland Medical System and the University System of Maryland. Because the medical system is a teaching hospital, many of the doctors and other medical professionals are also faculty members at the University of Maryland, Baltimore. The Board of Directors for the University of Maryland Medical System is

appointed by the Governor and must include members of the University System of Maryland's Board of Regents and the General Assembly.

Morgan State University

Morgan State University is independent from the University System of Maryland. It is a historically black college and university and one of the State's public research institutions. Additionally, Morgan State University is designated as Maryland's public urban university and, as such, gives priority to addressing the needs of the population of urban areas in general, and of Baltimore City in particular, through its academic, research, and service programs. Morgan State University offers a comprehensive range of undergraduate and a selected set of graduate programs to a broad cross section of students, encouraging research and service directed toward the needs of underserved communities.

Morgan State University is governed by its own Board of Regents, which consists of 15 members including a full-time student. Each member is appointed by the Governor with the advice and consent of the Senate. Fourteen of the board members serve six-year terms, and the student member is appointed for a one-year term. The board is responsible for appointing a president, setting admission standards and tuition and fees, approving university policies and the budget, and providing general operational oversight. General operational oversight functions include the establishment of a personnel and procurement system, preparation of the budget, and, through legislation enacted in 2006, management of all capital projects.

The budget development and submission process for Morgan State University is similar to that of the University System of Maryland. Once the Department of Budget and Management establishes Morgan State University's preliminary budget target, the president develops and the board approves the budget, including the request for State support. Morgan State University negotiates its budget with the Governor, who makes the final decision on the budget that is submitted to the General Assembly.

St. Mary's College of Maryland

St. Mary's College of Maryland is the other public four-year institution that is independent of the University System of Maryland. It is a co-educational, liberal arts honors college offering an array of baccalaureate degrees in the arts and sciences and provides a small-college experience like those found at private colleges. St. Mary's College of Maryland promotes scholarship and creativity by challenging students to achieve academic excellence through close relationships with faculty, classroom activities,

and experiential learning. Civic responsibility is a cornerstone of its academic and extracurricular programs, and its capstone experience is the St. Mary's Project.

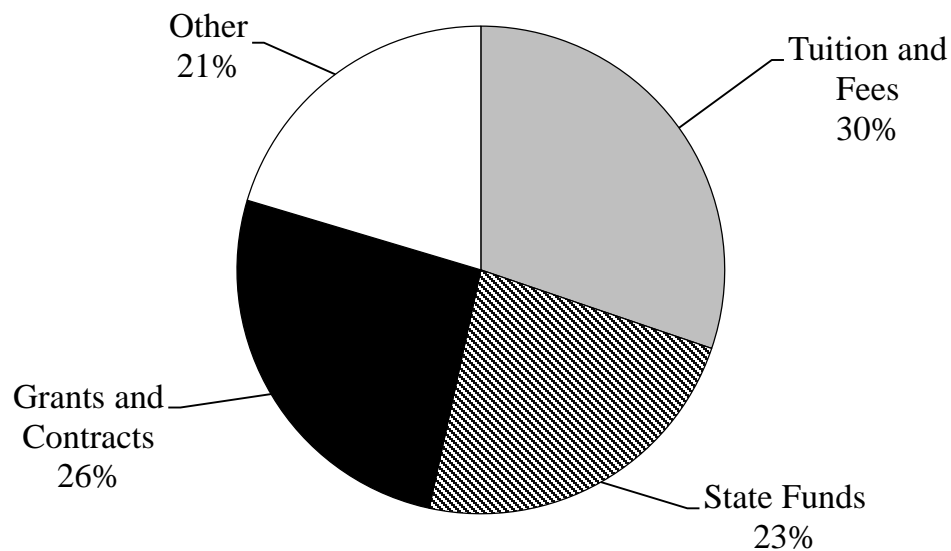
As with the other public institutions, St. Mary's College of Maryland has its own governing board, the Board of Trustees, comprised of 26 members that include the President of the Alumni Association, a student, and a representative from Historic St. Mary's City. The remaining members, upon recommendation of the Board of Trustees, are nominated by the Governor, subject to the advice and consent of the Senate, and serve six-year terms. The trustees are responsible for selecting the president, setting tuition and fees, and providing general operational oversight.

St. Mary's College of Maryland is the only public four-year institution with a statutory funding formula. Since 1991, the minimum general fund appropriation has been specified in § 14-405 (b)(ii) of the Education Article, which requires that the prior year's appropriation be increased to offset inflation. This involves multiplying the prior year appropriation by the implicit price deflator for State and local governments. However, during periods of fiscal constraint, the grant to St. Mary's College of Maryland has been reduced below the amount required by statute. When the State's fiscal outlook is more favorable, St. Mary's College of Maryland has received more than the formula requires.

Operating Funding

Overall, in fiscal 2013, State support for the operations of the public four-year institutions accounted for 23% of total revenues for the institutions, as shown in Exhibit 5.2. Tuition and fees accounted for 30% of the total revenues, with grants and contracts, and other sources, including auxiliary enterprises, accounting for the remaining unrestricted and restricted revenue. Auxiliary enterprises (*e.g.*, residence halls and dining services) are self-supporting activities that charge a fee for providing goods or services to students, faculty, and staff. Restricted revenues can only be expended for specific purposes in accordance with the granting/contracting agency or donor. For example, federal Pell grants can only be used for student financial aid.

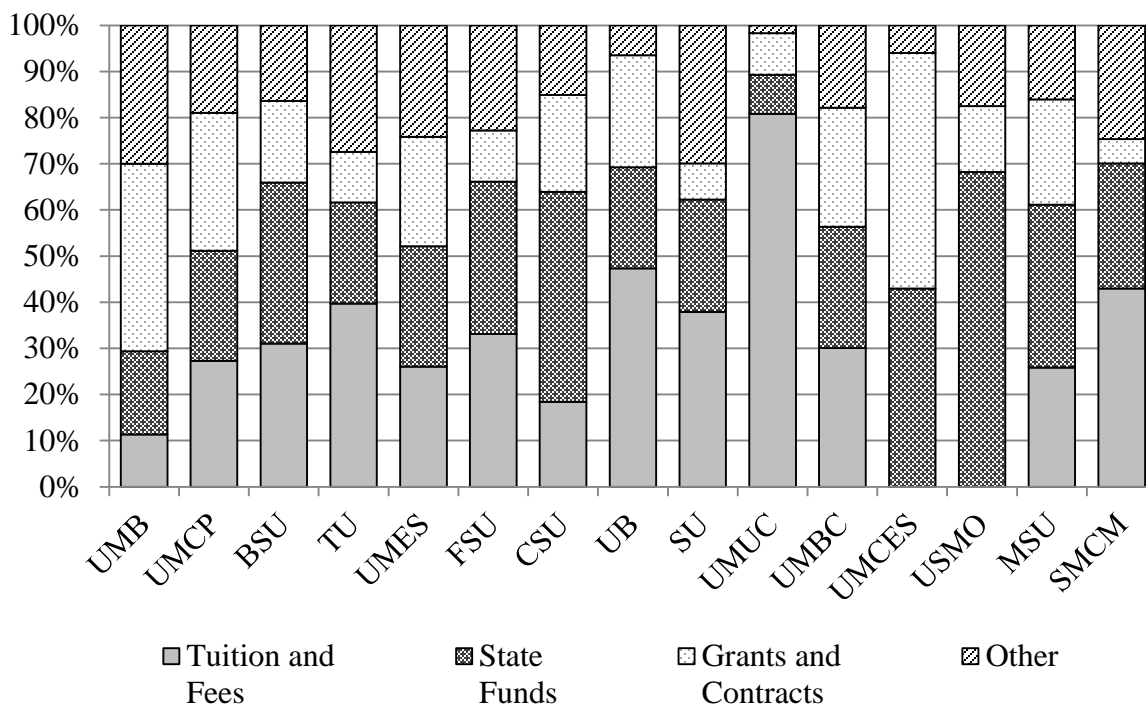
Exhibit 5.2
Percentage of Total Revenues by Source
Fiscal 2013



Source: *Fiscal 2015 State Budget Books*; Department of Legislative Services

The proportion of funding an institution receives from each revenue source is partly determined by the characteristics of each institution. For most of the institutions in the Carnegie Master's classification, also referred to as comprehensive institutions, revenues from the State and tuition and fees provide proportionally more funding, on average, than grants and contracts, as shown in Exhibit 5.3. Conversely, research institutions tend to receive a greater portion of revenues from grants and contracts. Furthermore, institutions that enroll a higher proportion of low-income students (*e.g.*, Bowie State University and the University of Maryland Eastern Shore) are also more likely to have higher revenues from grants and contracts due to the inclusion of Pell grants for student financial aid. The portion of funding from other revenues, mainly auxiliary enterprises, varies primarily based on the size (*i.e.*, enrollment) of the institution.

Exhibit 5.3
Sources of Operating Funds for Public Four-year Institutions
Fiscal 2013 Actual



UMCP: University of Maryland, College Park
 UMBC: University of Maryland Baltimore County
 MSU: Morgan State University
 TU: Towson University
 BSU: Bowie State University

SU: Salisbury University
 FSU: Frostburg State University
 UMES: University of Maryland Eastern Shore
 CSU: Coppin State University
 SMCM: Saint Mary's College of Maryland

Note: Grants and contracts includes unrestricted and restricted government (federal, State, or local) contracts and grants, as well as private gifts, grants, and contracts. State funding for the University of Maryland, College Park and the University of Maryland Eastern Shore includes funds for the Maryland Cooperative Extension and Agricultural Experiment Station programs. The University System of Maryland Office includes funding for the regional higher education centers at Shady Grove and Hagerstown.

Source: *Fiscal 2015 State Budget Books*; Department of Legislative Services

The University of Maryland University College, which specializes in providing access (most notably online) to higher education for adult learners, receives the most revenues, 81%, from tuition and fees, while the University of Maryland, Baltimore, which primarily offers graduate and professional programs and operates a teaching hospital,

receives only 11% of its revenues from tuition and fees but receives a higher than average portion of funding, 41%, from grants and contracts.

In fiscal 2013, the University of Maryland Center for Environmental Science received 43% of its funding from the State. Since the University of Maryland Center for Environmental Science does not directly enroll students at this time, it receives no tuition and fee revenues. Grants and contract revenues account for the remaining funds.

For further information about operating and capital funding of higher education, see Chapter 4 of this handbook.

Higher Education Investment Fund

Beginning in fiscal 2009, State funding for higher education included special funds from the Higher Education Investment Fund. A portion of the corporate income tax revenues is dedicated to the Higher Education Investment Fund, originally intended to be used to supplement the general fund appropriation and for capital projects at the public four-year institutions. However, with the onset of the recession, it has instead been used for two other purposes: (1) to mitigate general fund reductions to institutions' budgets; and (2) to backfill tuition revenues related to freezing tuition and, starting in fiscal 2011, to offset tuition increases. Overall, since its inception in fiscal 2008, Higher Education Investment Fund revenues have totaled \$384.9 million, as shown in Exhibit 5.4, and expenditures totaled \$384.6 million since fiscal 2009.

Exhibit 5.4
Higher Education Investment Fund
Fiscal 2008-2015
(\$ in Thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues	\$16,156	\$46,957	\$45,744	\$46,551	\$52,676	\$57,126	\$59,026	\$60,669
Expenditures	0	60,813	42,335	42,130	58,358	49,970	70,299	60,671
Ending Balance	16,156	2,192	5,601	10,022	4,340	11,495	222	221

Note: The fiscal 2014 appropriation included the entire fund balance; however, due to the underattainment of revenues in prior years, the amount of funds available was less than anticipated, resulting in fiscal 2014 expenditures being reduced by \$12 million.

Source: Department of Budget and Management; Department of Legislative Services

St. Mary's College of Maryland was not originally eligible to receive money from the Higher Education Investment Fund since it is formula funded; however, the Budget Reconciliation and Financing Act of 2012 included a provision allowing St. Mary's College of Maryland to be eligible to receive money from the fund to offset a 2% increase in tuition. Furthermore, Chapters 563 and 564 of 2013 froze undergraduate resident tuition at the fall 2012 rates for academic years beginning in fall 2013 and included a provision that allowed St. Mary's College of Maryland to receive up to \$1.1 million from the Higher Education Investment Fund in fiscal 2014 to offset the lost tuition revenues. Chapters 563 and 564 also required the Governor to appropriate \$1.6 million in fiscal 2015 for St. Mary's College of Maryland from the Higher Education Investment Fund to continue the freeze for another year. Beginning in fiscal 2016, the general fund appropriation for St. Mary's College of Maryland must include the fiscal 2015 appropriation from this grant. The 2013 legislation also established the Desousa-Brent Scholars Completion Grant to increase retention rates and reduce the four-year graduation rate gap for traditionally underrepresented students, and required the Governor to appropriate specific amounts from the Higher Education Investment Fund from fiscal 2014 to 2019 to fund this grant.

Funding Guidelines

"Funding guidelines" were used beginning in fiscal 2001 to assess how public four-year institutions in Maryland were funded relative to their peers. The Maryland Higher Education Commission established annual operating funding guidelines for University System of Maryland institutions and, in fiscal 2002, for Morgan State University. A guideline was not established for St. Mary's College of Maryland, which is funded through a statutory formula. The funding guidelines are not mandated in law. Colleges and universities throughout the United States that are similar in size, program mix, enrollment composition, and other defining characteristics, were identified for each institution as the institution's "funding peers." The overall goal has been that an institution funded at its proposed funding guideline level would receive more State support than 75% of its identified funding peers; since 2009, the guideline for the historically black colleges and universities has been in the eightieth percentile. The funding peer institutions are reevaluated and revised periodically. The estimated guideline attainment for fiscal 2014 is shown in Exhibit 5.5.

Exhibit 5.5
Estimated Fiscal 2014 Funding Guideline Attainment
 (\$ in Thousands)

<u>Institution</u>	<u>State Funding Allowance</u>	<u>Revised Peers</u>		<u>Competitor States</u>	
		<u>Funding Guideline</u>	<u>Attainment</u>	<u>Funding Guideline</u>	<u>Attainment</u>
UM, Baltimore	\$200,103	\$377,986	52.9%	\$330,527	60.5%
UM, College Park	447,275	567,227	78.9%	559,487	79.9%
Bowie State University	38,753	44,928	86.3%	43,466	89.2%
Towson University	99,615	110,547	90.1%	128,474	77.5%
UM Eastern Shore	34,908	35,689	97.8%	50,012	69.8%
Frostburg State University	36,579	42,159	86.8%	44,289	82.6%
Coppin State University	41,118	31,769	129.4%	37,017	111.1%
University of Baltimore	33,022	63,668	51.9%	53,317	61.9%
Salisbury University	42,944	61,956	69.3%	64,674	66.4%
UM University College	36,270	90,173	40.2%	84,960	42.7%
UM Baltimore County	103,809	135,219	76.8%	171,533	60.5%
UM Center for Envir. Science	21,046	25,935	81.1%	25,935	81.1%
USM Office	21,337				
USM Total	\$1,156,779	\$1,587,255	72.9%	\$1,593,691	72.6%
Morgan State University	79,955	107,018	74.7%	109,601	73.0%
Total	\$1,236,734	\$1,694,273	73.0%	\$1,703,293	72.6%

UM: University of Maryland

USM: University System of Maryland

Note: While the USM Office is not compared to funding peers, the inclusion of the State funding allowance is necessary to compare the USM total to funding peers.

Source: Maryland Higher Education Commission

The Commission to Develop the Maryland Model for Funding Higher Education, a two-year study commission established in 2006, examined the funding guidelines as one element of developing an effective statewide framework for higher education funding. In its final report submitted in December 2008, the commission recommended that Maryland's funding of higher education be based on the funding level of peer institutions

in 10 states that Maryland competes with for business and jobs (competitor states), as determined by the Maryland Department of Business and Economic Development. These states include Pennsylvania, Virginia, Massachusetts, North Carolina, New Jersey, New York, California, Minnesota, Ohio, and Washington. In 2014 the guidelines were revised to reflect those funding peer institutions in the competitor states, the results of which are also shown in Exhibit 5.5. When compared to the funding attainment level of 73.0% with the revised peers, the attainment level is slightly lower, 72.6%, under the competitor state model.

Education and General Revenues and Expenditures

Education and general revenues are the funds available to an institution for the day-to-day operations related to its primary mission. Exhibit 5.6 shows the estimated education and general revenues per full-time equivalent student at each public four-year institution for fiscal 2015. Looking at these revenues on a full-time equivalent student basis allows for comparisons across institutions, although institutions have varying missions, academic program offerings, and student profiles that affect both revenues and costs.

Education and general revenues are comprised of unrestricted revenues from tuition and fees, State funds, grants, and other education-related revenues. Not included are auxiliary revenues from self-supporting activities such as residence halls, dining services, and bookstores. All restricted revenues are excluded, including hospital-related funds at the University of Maryland, Baltimore. Also excluded is funding for the agricultural and cooperative extension programs at the State's two land-grant institutions – the University of Maryland, College Park and the University of Maryland Eastern Shore. The estimated average of the education and general funding per full-time equivalent student is \$25,455 at the public four-year institutions, ranging from \$14,765 at Salisbury University to \$82,884 at the University of Maryland, Baltimore, which is an outlier due to a large amount of unrestricted grants and contracts received by its medical school.

Exhibit 5.6 also shows State funds per full-time equivalent student by institution, which includes general funds and Higher Education Investment Fund revenues. The average amount of State funds per full-time equivalent student for fiscal 2015 is estimated to be \$11,155. This ranges from \$1,541 at the University of Maryland University College, reflecting its reliance on tuition revenues due to its unique mission, to \$34,433 at the University of Maryland, Baltimore. Again, the University of Maryland, Baltimore is an outlier because, as the State's public academic health center, it enrolls students in more expensive professional programs such as law, medicine, pharmacy, and dentistry.

Exhibit 5.6
Education and General and State Revenues
Per Full-time Equivalent Student
Fiscal 2015 Estimate

	E&G Revenues¹		State Revenues²		
	\$ in Thousands	Per	\$ in Thousands	Per	% of
	<u>Total</u>	<u>FTEs</u>	<u>Total</u>	<u>FTEs</u>	<u>E&G</u>
UM, Baltimore	\$518,608	\$82,884	\$215,444	\$34,433	42%
UM, College Park	1,138,764	36,094	440,061	13,948	39%
Bowie State University	76,841	17,791	41,933	9,709	55%
Towson University	296,234	15,799	106,439	5,677	36%
UM Eastern Shore	67,637	16,783	32,468	8,057	48%
Frostburg State University	76,294	16,575	38,633	8,393	51%
Coppin State University	60,784	21,920	43,739	15,773	72%
University of Baltimore	105,723	21,875	34,554	7,150	33%
Salisbury University	116,198	14,765	46,402	5,896	40%
UM University College	404,476	15,590	39,990	1,541	10%
UM Baltimore County	250,369	22,024	111,746	9,830	45%
Morgan State University	145,556	22,393	86,461	13,302	59%
St. Mary's College of Maryland	49,646	26,422	21,248	11,308	43%
Total Higher Education	\$3,307,129	\$25,455	\$1,259,119	\$11,155	38%

E&G: education and general

UM: University of Maryland

¹Figure represents education and general revenues, which include unrestricted revenues from tuition and fees, general funds, grants and contracts (federal, State, and local), and sales and services of education activities less auxiliary program enterprise revenue. For the University of Maryland, Baltimore, hospital expenditures are excluded from education and general revenues.

²Includes general funds and funds from the Higher Education Investment Fund. The University System of Maryland, Center for Environmental Science, and System Office are excluded as well as the Maryland Cooperative Extension and Agricultural Experiment Station programs.

Source: *Fiscal 2015 State Budget Books*; Department of Legislative Services

Exhibit 5.7 shows the percentage of unrestricted fund expenditures by program area by institution for fiscal 2013. Unrestricted funds are those revenues available to fund any current operations at the institution and are not restricted to any specific use or purpose. Overall, instruction accounted for the highest portion of spending, ranging from 50% at the University of Maryland, Baltimore to 29% at the University of Maryland University College, followed by operation and maintenance of plant, which, on average, accounted for 15% of the expenditures.

Exhibit 5.7
Unrestricted Fund Expenditures by Program Area
Fiscal 2013 Actual
(\$ in Thousands)

	<u>Instruction</u>	<u>Academic Support¹</u>	<u>Student Services²</u>	<u>Institutional Support³</u>	<u>Operation and Maintenance of Plant</u>	<u>Scholarships and Fellowships</u>	<u>Total</u>
UM, Baltimore	49.5%	12.1%	1.1%	17.0%	17.5%	2.8%	\$388,636
UM, College Park	45.2%	16.2%	5.1%	11.6%	15.5%	6.3%	916,596
Bowie State University	37.3%	11.9%	6.9%	18.1%	18.9%	6.9%	68,444
Towson University	39.5%	14.8%	6.2%	11.6%	16.3%	11.5%	260,425
UM Eastern Shore	42.2%	10.9%	4.2%	14.7%	18.7%	9.4%	66,164
Frostburg State University	40.7%	12.9%	6.9%	14.0%	17.0%	8.5%	71,309
Coppin State University	32.2%	11.5%	8.4%	23.2%	19.8%	4.8%	56,063
University of Baltimore	36.9%	12.9%	9.3%	22.4%	9.7%	8.8%	96,474
Salisbury University	47.7%	8.9%	5.7%	14.4%	17.5%	5.8%	100,048
UM University College	28.9%	17.9%	21.8%	14.0%	14.7%	2.8%	349,675
UM Baltimore County	46.6%	9.4%	6.8%	16.7%	11.7%	8.8%	210,827
Morgan State University	36.0%	14.2%	4.5%	21.7%	13.0%	10.6%	137,820
St. Mary's College of Maryland	41.0%	4.3%	11.1%	22.2%	9.6%	11.8%	51,308
Total							\$2,773,790

UM: University of Maryland

Note: Excludes research and public service.

¹Academic support are those programs that support instruction, e.g., libraries, academic computing support, and academic administration.

²Student services includes admissions and registrar and those activities that contribute to student emotional and physical well-being, such as counseling, career guidance, financial aid administration, and student health services.

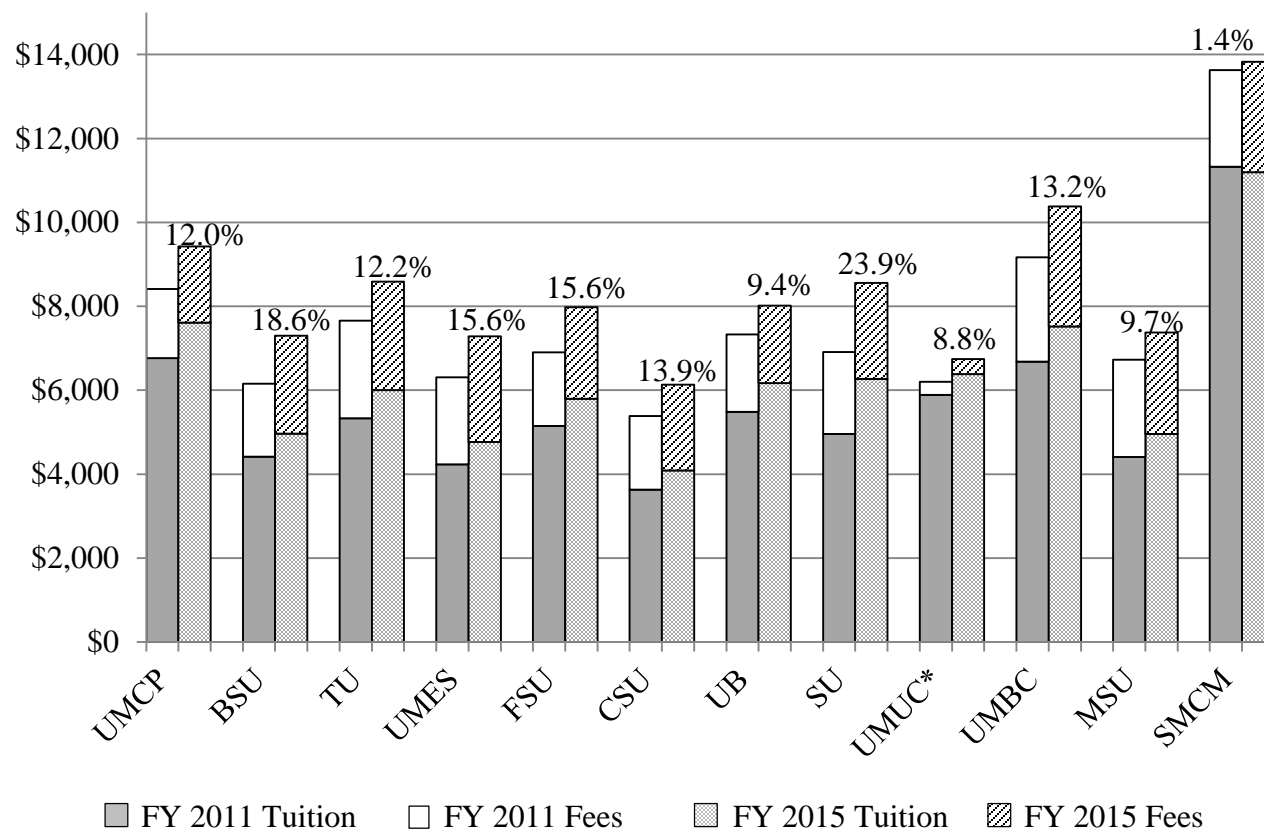
³Institutional support are those activities related to management and long-term planning, including executive management, fiscal operations, and general administration.

Source: Department of Legislative Services

Tuition and Fee Rates

The average cost of tuition and fees for the 2014-2015 academic year (fiscal 2015) for a full-time undergraduate student is \$8,469 for a resident student and \$19,266 for a nonresident student. Overall, since fiscal 2011, tuition and fees increased 12% and 10% for resident and nonresident undergraduate students, respectively. Exhibits 5.8 and 5.9 show the tuition and mandatory fees for resident and nonresident undergraduate students.

Exhibit 5.8
Full-time Resident Undergraduate Tuition and Mandatory Fees
Fiscal 2011 and 2015



UMCP: University of Maryland, College Park
 UMBC: University of Maryland Baltimore County
 MSU: Morgan State University
 TU: Towson University
 BSU: Bowie State University

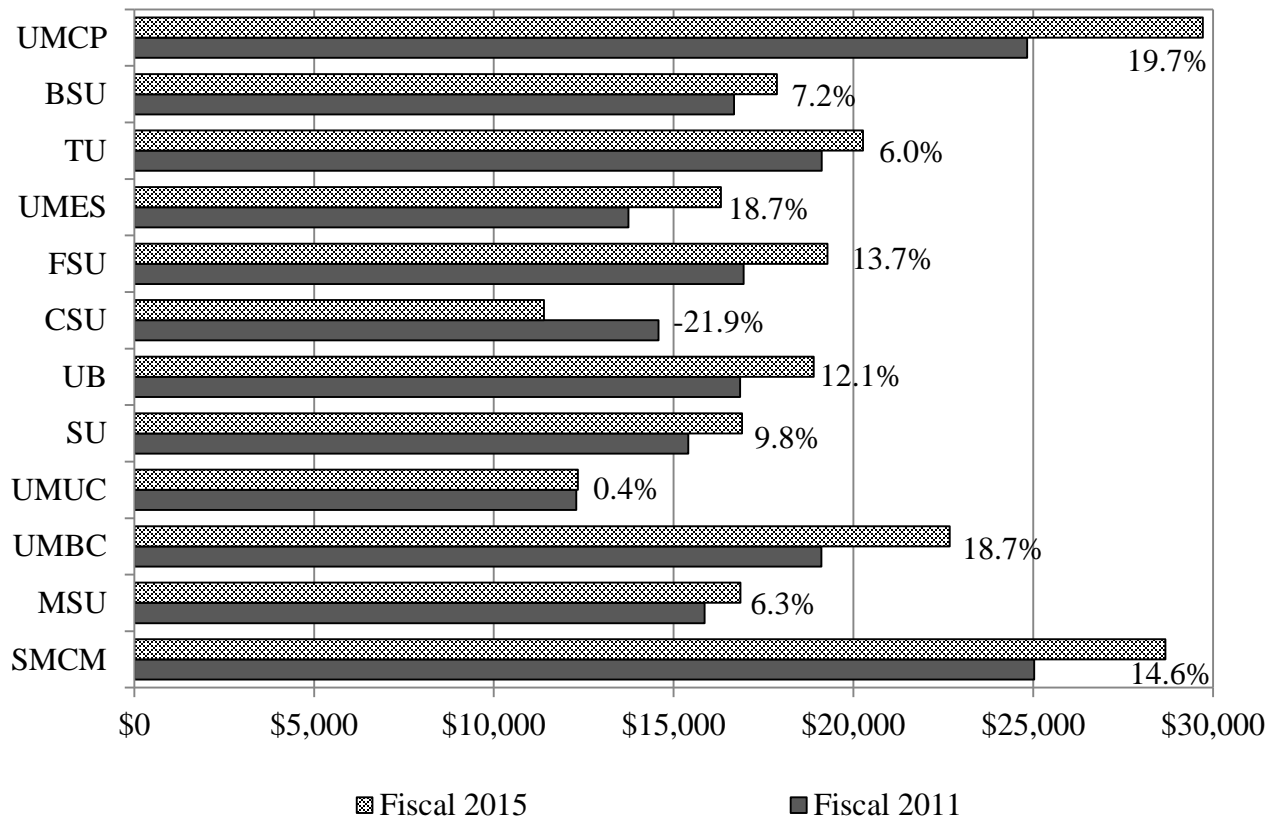
SU: Salisbury University
 FSU: Frostburg State University
 UMES: University of Maryland Eastern Shore
 CSU: Coppin State University
 SMCM: Saint Mary's College of Maryland

*Annual fee for 12 credits per semester.

Note: Percentage is growth from fiscal 2011 to 2015.

Source: University System of Maryland; Morgan State University; St. Mary's College of Maryland

Exhibit 5.9
Full-time Nonresident Undergraduate Tuition and Mandatory Fees
Fiscal 2011 and 2015



UMCP: University of Maryland, College Park
 UMBC: University of Maryland Baltimore County
 MSU: Morgan State University
 TU: Towson University
 BSU: Bowie State University

SU: Salisbury University
 FSU: Frostburg State University
 UMES: University of Maryland Eastern Shore
 CSU: Coppin State University
 SMCM: Saint Mary's College of Maryland

Note: Percentage is growth from fiscal 2011 to 2015.

Source: University System of Maryland; Morgan State University; St. Mary's College of Maryland

In an effort to make college more affordable for Maryland residents, undergraduate resident tuition was frozen at fall 2005 (fiscal 2006) rates in fiscal 2007 through 2010 at University System of Maryland institutions and Morgan State University. The State subsidized the tuition freeze by providing funds from the Higher Education Investment Fund each year with general funds covering the ongoing costs. Beginning in fiscal 2011,

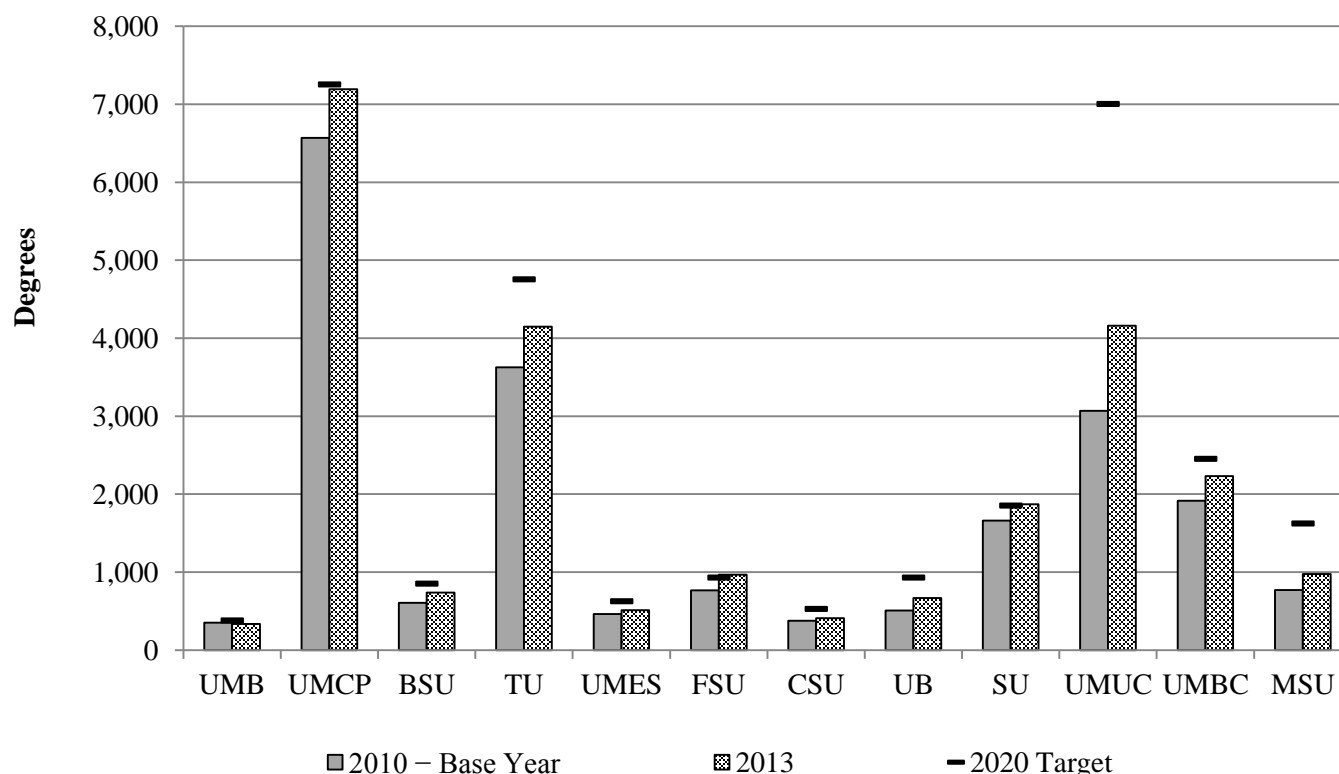
in order to keep tuition affordable, the State has appropriated funds to limit tuition increases to 3% at most public four-year institutions. Since fiscal 2012, Salisbury University has increased tuition 6% annually to align its tuition with market demand and rates at peer institutions as authorized by Chapters 192 and 193 of 2010. In terms of affordability, the combination of freezing and limiting tuition increases over the past nine years has resulted in Maryland public four-year institutions becoming more reasonably priced when compared to other states. Since fall 2004 when Maryland institutions were ranked as the seventh most expensive in the country, Maryland's ranking has fallen to the twenty-seventh most expensive in the country in fall 2013.

St. Mary's College of Maryland did not originally participate in the tuition freeze or receive State funding to limit tuition increases. However, as discussed above, in response to rising tuition rates that made St. Mary's College of Maryland one of the most expensive public institutions in the country, the college became eligible to receive funds to offset a 2% tuition increase in fiscal 2013. Furthermore, Chapters 563 and 564 of 2013 froze undergraduate resident tuition at St. Mary's College of Maryland at the fall 2012 rate for two academic years beginning in fall 2013. In addition, State funds were provided in fiscal 2015 for St. Mary's College of Maryland to reduce tuition in fall 2014 below the fall 2013 rate. Resident tuition decreased 8.6% from \$12,245 in fall 2013 to \$11,195 in fall 2014.

College Completion

As discussed in Chapter 4, Maryland has set a goal that by 2025 at least 55% of the State's residents aged 25 to 64 years old will hold at least an associate's or bachelor's degree. In order for Maryland to achieve its 55% goal by 2025, the State's institutions will need to award approximately 58,000 degrees annually by 2025. In response, Maryland's public four-year institutions set targets and developed plans to help the State reach the target. The University System of Maryland and Morgan State University plan to increase annual degree production by nearly 8,100 and 850 degrees, respectively, by 2020. Each has made progress toward achieving its degree completion target, as illustrated in Exhibit 5.10. Overall, institutions have increased degree production between fiscal 2010 and 2013 with Frostburg State University and Salisbury University exceeding their targets by 44 and 22 degrees, respectively. The University System of Maryland's reliance on the University of Maryland University College, which until recently had been the driving force behind increases in the University System of Maryland's degree production, is reflected in its target of 7,000 degrees by 2020.

Exhibit 5.10
Four-year Institutions' Progress Toward 2020 Degree Targets
Fiscal 2010 and 2013



UMCP: University of Maryland, College Park
 UMBC: University of Maryland Baltimore County
 MSU: Morgan State University
 TU: Towson University
 BSU: Bowie State University

SU: Salisbury University
 FSU: Frostburg State University
 UMES: University of Maryland Eastern Shore
 CSU: Coppin State University
 SMCM: Saint Mary's College of Maryland

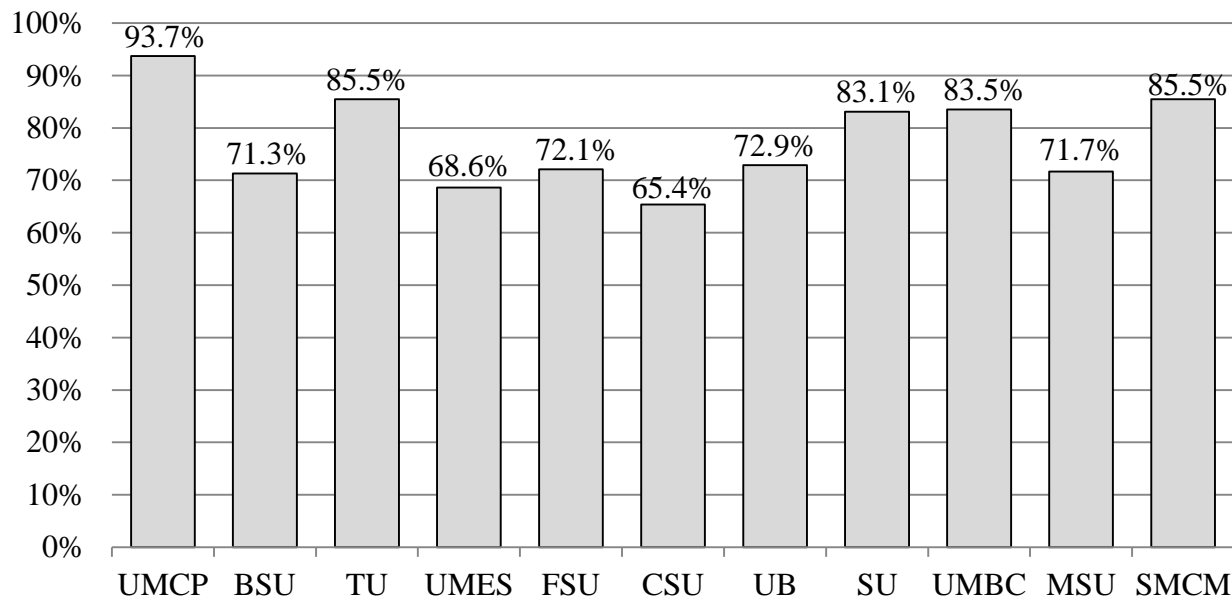
Source: Integrated Postsecondary Education Data System; University System of Maryland; Morgan State University; Department of Legislative Services

Retention Rates

Student persistence, or retention, provides a measure of student progression and an indication of an institution's performance; the higher the retention rate, the more likely students will persist and graduate. The second-year retention rate measures the percentage of students who enter college and return to the same institution the following fall. The

2011 cohort's freshmen retention rates by institution are shown in Exhibit 5.11. (A cohort is a group of full-time students who first enrolled in the fall of that year). On average 82.5% of the 2011 cohort returned in fall 2012, an increase of four percentage points from the 2006 cohort, which had the lowest rate over the past 10 years. Overall, there is significant variation in the retention rates among institutions. The University of Maryland, College Park had the highest second-year retention rate of 93.7% while Coppin State University had the lowest rate of 65.4% for the 2011 cohort.

Exhibit 5.11
Second-year Retention Rates for Public Four-year Institutions
2011 Cohort



UMCP: University of Maryland, College Park
 UMBC: University of Maryland Baltimore County
 MSU: Morgan State University
 TU: Towson University
 BSU: Bowie State University

SU: Salisbury University
 FSU: Frostburg State University
 UMES: University of Maryland Eastern Shore
 CSU: Coppin State University
 SMCM: Saint Mary's College of Maryland

Source: Maryland Higher Education Commission, *Retention and Graduation Rates at Maryland Public Four-year Institutions*, October 2013

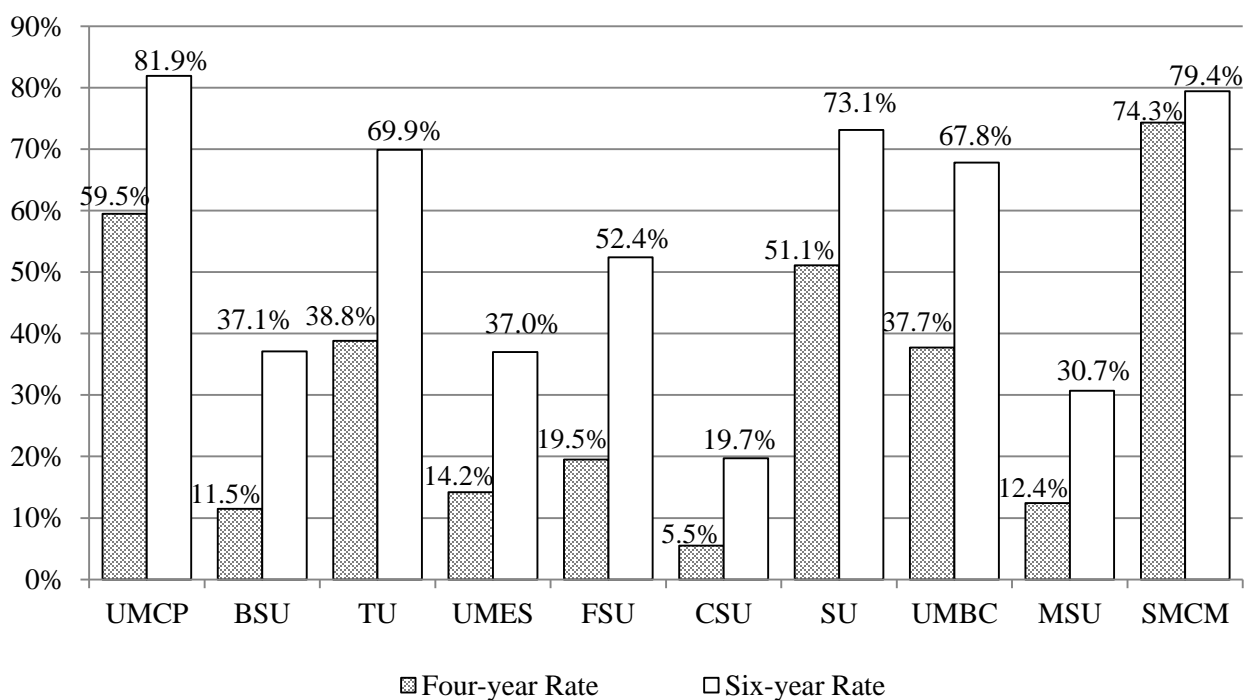
Graduation Rates

Graduation rate is an indicator that is used to measure student success. Graduating within four years of matriculation (first enrolling at an institution) is considered “on-time” graduation; graduating within six years is a standard metric used in higher education. For

the public four-year institutions, the four-year rate has fluctuated while the six-year rate has declined 3.1 percentage points over the past three cohorts.

The State's six-year graduation rate increased from 59.3% for the 1996 cohort to 61.6% for the 2006 cohort while the four-year rate increased from 30.4% to 37.4%. The four- and six-year graduation rates for the 2006 cohort (*i.e.*, students who first enrolled in fall 2006 and graduated by spring 2010 or 2012) for each institution are shown in Exhibit 5.12. The rate also includes students who transferred from an institution and completed a degree at another Maryland public four-year institution.

Exhibit 5.12
Four- and Six-year Graduation Rates for Public Four-year Institutions
2006 Cohort



UMCP: University of Maryland, College Park
 UMBC: University of Maryland Baltimore County
 MSU: Morgan State University
 TU: Towson University
 BSU: Bowie State University

SU: Salisbury University
 FSU: Frostburg State University
 UMES: University of Maryland Eastern Shore
 CSU: Coppin State University
 SMCM: Saint Mary's College of Maryland

Source: Maryland Higher Education Commission, *Retention and Graduation Rates at Maryland Public Four-year Institutions*, October 2013

As with the retention rates, there are considerable differences in the graduation rates among the institutions. The University of Maryland, College Park, which had the State's highest second-year retention rate, also had the highest six-year graduation rate at 81.9%. At the other end of the spectrum, Coppin State University had the lowest retention rate and also had the lowest graduation rate of 19.7%, which is an increase of 1.7 percentage points from the previous cohort.

As expected, the four-year graduation rates are significantly lower for all institutions. Four-year rates for the 2006 cohort are also shown in Exhibit 5.12 and averaged 37.4% for the State's public four-year institutions. The statewide average for the 2008 cohort, the most recently graduated cohort for which data is available, increased one percentage point to an average rate of 38.4%.

Chapter 6. Community Colleges

Overview

Maryland has 16 community colleges: 15 are locally controlled and 1, Baltimore City Community College, is State-operated with minimal local support. All are subject to oversight by the Maryland Higher Education Commission. Local community college boards of trustees oversee policy and operations with funding primarily provided by State and local government and by tuition and fee revenues paid by students.

The 15 locally controlled community colleges are governed by separate boards of trustees appointed by the Governor. There are 12 county boards and 3 regional boards. There is also a board for Baltimore City Community College, which has been operated as a State agency since fiscal 1991. One regional college, Chesapeake, serves five Eastern Shore counties (Caroline, Dorchester, Kent, Queen Anne's, and Talbot) and another, Wor-Wic, includes Worcester and Wicomico counties but also provides services to Somerset County. A third, the College of Southern Maryland, was established in 1999 in place of Charles County Community College. The College of Southern Maryland serves Charles, St. Mary's, and Calvert counties.

State law generally provides that the community college boards have seven members serving staggered six-year terms, except as otherwise provided for specified boards. Therefore, there are variations in the number and terms of board members. Exhibit 6.1 shows characteristics of the various boards, as well as college service areas and establishment dates. With one exception, the boards are appointed by the Governor with the advice and consent of the Maryland Senate. For Chesapeake College, the board is appointed by the Governor with the advice and consent of the Maryland House of Delegates.

Exhibit 6.1
Community Colleges in Maryland

<u>College</u>	<u>Est.</u>	<u>Main Location (Satellite Locations)</u>	<u>County Service Area</u>	<u>Board Members</u>	<u>Board Terms (Years)</u>	<u>Term Limits</u>
Allegany	1961	Cumberland (Bedford and Somerset counties in Pennsylvania)	Allegany	7	6	No Limit
Anne Arundel	1962	Arnold (Arundel Mills and Glen Burnie)	Anne Arundel	8 ¹	6	No Limit
Baltimore City	1947 ²	Baltimore City – Liberty Heights (Harbor and Reisterstown campuses)	Baltimore City	9 ¹	6	2
Baltimore	1956 ³	Catonsville, Essex, and Dundalk (Hunt Valley and Owings Mills campuses)	Baltimore	15 ⁴	5	2
Carroll	1993	Westminster	Carroll	7	6	No Limit
Cecil	1968	North East (Elkton and Port Deposit)	Cecil	7	6	No Limit
Chesapeake	1965	Wye Mills (Easton and Cambridge)	Caroline, Dorchester, Kent, Queen Anne's, and Talbot	10 ⁵	5	3
Frederick	1957	Frederick	Frederick	7	5	3
Garrett	1966	McHenry	Garrett	7	6	No Limit
Hagerstown	1946	Hagerstown	Washington	7	6	No Limit

<u>College</u>	<u>Est.</u>	<u>Main Location (Satellite Locations)</u>	<u>County Service Area</u>	<u>Board Members</u>	<u>Board Terms (Years)</u>	<u>Term Limits</u>
Harford	1957	Bel Air (Aberdeen)	Harford	9 ⁶	5	2
Howard	1966	Columbia ⁷ (Elkridge, Laurel, and Mt. Airy)	Howard	7	6	No Limit
Montgomery	1946	Rockville, Takoma Park, and Germantown	Montgomery	10 ^{1, 8}	6	No Limit
Prince George's	1958	Largo (Camp Springs, Hyattsville, Joint Base Andrews, and Laurel)	Prince George's	9 ¹	5	2
Southern Maryland	1958 ⁹	La Plata, Leonardtown, Prince Frederick, and Waldorf	Charles, Calvert, and St. Mary's	9	5	2
Wor-Wic	1975	Salisbury	Somerset, Wicomico, and Worcester	7	6	No Limit

¹The board includes a student member serving a one-year term. The student body elects the student board member in Prince George's County.

²Legislation enacted in 1990 created the New Community College of Baltimore (now Baltimore City Community College) as a State institution. The former Community College of Baltimore was established in 1947.

³The three campuses of the current Community College of Baltimore County were established separately: Catonsville in 1956, Essex in 1957, and Dundalk in 1970. As of October 1, 1998, the Baltimore County system was restructured as one college with three campuses.

⁴The Baltimore County board includes one at-large member and two from each of the seven council districts.

⁵The Governor appoints two members from each of the five counties in the region.

⁶The Harford County board includes three at-large members and one from each of the six council districts.

⁷The Laurel and Mt. Airy locations provide programs in partnership with Prince George's Community College and Carroll and Frederick Community Colleges, respectively.

⁸A local nominating committee must submit to the Governor the names of two to four candidates per vacancy from which the Governor must appoint a new member.

⁹Legislation enacted in 1999 created the regional College of Southern Maryland in place of the Charles County Community College, which was established in 1958.

Source: Maryland Association of Community Colleges – *Directory of Maryland Community Colleges Fiscal 2014*; Annotated Code of Maryland

Each board of community college trustees has responsibility for the general control of the community college. The board appoints the president of the college; determines the salaries and tenure of the president, faculty, and other employees; establishes student tuition and fees; and acquires and disposes of property. Subject to the minimum standards and approval of the Maryland Higher Education Commission, each board may determine entrance requirements and approve course offerings.

Under Maryland law, the governing body of any county that does not have a community college may request permission from the Maryland Higher Education Commission to establish a college. Upon recommendations from the local governing body and the commission, the Governor appoints a board for the new college. In addition to establishing community colleges, the Maryland Higher Education Commission has the statewide responsibility for coordinating the community colleges and for developing general policies for their operation.

The county role with regard to community colleges is similar to that for the public elementary and secondary schools. Each community college (except Baltimore City Community College) submits its operating and capital budgets to the county governing body, or in the case of regional colleges, to each of the counties in the region. The budget submission includes revenues by source and expenditures by major function, as established by the Maryland Higher Education Commission. The county governing body reviews and approves or reduces the budget. For a regional college, approval of its budget by a majority of the counties in the region constitutes approval and binds all the region's counties. After approval of the budget, transfers between major expenditure categories must be submitted in writing and approved by the county. If the county fails to act on transfer requests within 30 days, they are considered approved.

The State's community colleges provide diverse education services, with particular emphasis on community-centered programs that afford open access to individuals. The community colleges are a flexible, lower-cost higher education pathway accommodating the needs of a wide variety of students. Community colleges offer undergraduate courses, technical and career education programs, skills training for businesses, continuing education programs, and remedial education. Students may receive a certificate or associate's degree.

Students enrolled in transfer programs constitute the largest share of credit enrollment. These programs are designed for the continuation of education at a four-year college or university. Coursework can lead to certificates and associate's degrees and, in accordance with guidelines established by the Maryland Higher Education Commission and the institutions, be transferred to four-year colleges and universities.

Technical and career programs are another major component of a community college's mission. These credit programs are designed primarily for immediate job entry or for upgrading skills. Data processing, technical art, hospital management, medical and health technologies, and criminal justice are examples of technical and career programs leading to a certificate or associate's degree. Some colleges are designated statewide providers of special career programs.

Continuing education courses are those regularly scheduled courses designed to meet the needs of part-time and returning students. They are not offered for academic credit. These courses may provide job training and retraining, satisfy professional requirements for certification, offer cultural enrichment, and address contemporary problems. Every community college in Maryland, for example, offers custom designed programs to businesses, government agencies, and professional and labor organizations in their regions. Continuing education courses may be offered in nontraditional settings such as business centers, the workplace, and public facilities.

Enrollment

Together, all 16 of Maryland's community colleges enrolled 111,961 full-time equivalent students in fiscal 2013 who are counted for State aid purposes, as shown in Exhibit 6.2. For calculating State aid to community colleges, students enrolled in credit and eligible noncredit courses in the second prior fiscal year are counted (*i.e.*, fiscal 2013 enrollment was used to calculate fiscal 2015 State aid). An additional 8,300 full-time equivalent students enrolled in noncredit courses at community colleges are not eligible to be counted for State aid purposes.

Exhibit 6.2
Community College Enrollment
Full-time Equivalent Students Eligible for State Aid
Fiscal 2013 Actual

<u>Institution</u>	<u>Credit Enrollment</u>		<u>Noncredit Enrollment</u>	<u>Total Enrollment</u>
	<u>From Service Area</u>	<u>Not From Service Area</u>	<u>From Anywhere</u>	
Allegany	1,005	372	484	1,861
Anne Arundel	8,553	1,718	3,778	14,049
Baltimore City	2,621	690	2,636	5,946
Baltimore	11,087	3,643	4,280	19,009
Carroll	2,435	183	549	3,167
Cecil	1,466	63	530	2,060
Chesapeake	1,507	17	841	2,365
Frederick	3,636	162	534	4,332
Garrett	417	141	200	758
Hagerstown	2,443	158	725	3,326
Harford	4,174	219	968	5,361
Howard	4,889	1,385	1,377	7,651
Montgomery	15,866	890	3,237	19,992
Southern Maryland	5,372	278	903	6,553
Prince George's	7,873	256	4,497	12,626
Wor-Wic	2,066	113	726	2,904
Grand Total	75,410	10,287	26,264	111,961

Note: Numbers may not sum to total due to rounding.

Source: Maryland Higher Education Commission; Department of Legislative Services

Although the number of public high school graduates is expected to decline from 59,171 students in 2008 to 57,119 students in 2028 (as projected by the Western Interstate Commission for Higher Education), the Maryland Higher Education Commission is projecting a significant increase in the number of students that will enroll in the State's community colleges in the future. In June 2014, the commission released its projections for the next 10 years, from fall 2014 through fall 2023, which estimate that the total number of full-time equivalent students enrolled in credit courses at the State's community colleges will increase 29.3% over fiscal 2014 to 110,849 in fiscal 2024.

Overall, State-supported community college enrollment peaked in fiscal 2012 at 115,485 full-time equivalent students, of which about 95,000 had enrolled in credit-bearing courses. Fiscal 2013 enrollment of this population declined by about 3,500 full-time equivalent students, or 3.0%, but the distribution of this effect varied greatly. Hagerstown and Howard community colleges saw enrollment increases, while all other schools declined in enrollment. Fall 2013 enrollment at Maryland's community colleges then fell by the largest amount, by both headcount (5,887) and percentage (4.1%), in at least 20 years. This was also the first time since academic year 1999-2000 that total headcount enrollment at community colleges declined in consecutive years. Although individual institutions have fluctuated year to year, the overall headcount had grown steadily from fall 2001 to 2011.

Community colleges assert that their enrollments are closely correlated to the overall economy, since 65.5% of fall 2013 enrollments were part-time students. As the State economy recovers from the most recent economic downturn, community colleges expect more students will opt to pursue employment rather than enroll in coursework. This is doubly important for community colleges: not only will tuition and fee revenue decline, but State support, which is partially based on enrollment, will also be affected.

Operating Funding

In fiscal 2013, Baltimore City Community College and the local community colleges received a total of \$1.5 billion in restricted and unrestricted financial support: 21.2% from the State; 21.8% from county governments; 18.3% from grants and contracts (mostly federal funds for student Pell grants); and 8.2% from auxiliary enterprises and other miscellaneous revenue sources. Student tuition and fee payments comprised the remaining 30.6% of community college funding. Exhibit 6.3 shows fiscal 2013 operating funding for each college and the shares provided by the different funding sources. Because they have different financing structures, Baltimore City Community College and the local community colleges are discussed separately below. For further information on operating and capital funding of community colleges, see Chapter 4 of this handbook.

Exhibit 6.3
Operating Funding for Community Colleges
Fiscal 2013 Actual
(\$ in Thousands)

<u>College</u>	<u>State</u>	<u>% State</u>	<u>County</u>	<u>% County</u>	<u>Tuition and Fees</u>	<u>% Tuition</u>	<u>Grants and Contracts¹</u>	<u>% Grants/Contracts</u>	<u>Other</u>	<u>% Other</u>	<u>Total</u>
Allegany	\$7,550	17.7%	\$7,425	17.4%	\$14,758	34.6%	\$7,660	18.0%	\$5,250	12.3%	\$42,645
Anne Arundel	33,673	21.2%	32,048	20.2%	44,639	28.2%	24,133	15.2%	24,013	15.1%	158,505
Baltimore City	40,481	49.6%	1,000	1.2%	14,389	17.6%	18,013	22.1%	7,761	9.5%	81,644
Baltimore	43,801	16.8%	39,761	15.3%	82,165	31.6%	81,261	31.2%	13,191	5.1%	260,179
Carroll	8,420	24.1%	8,542	24.5%	12,852	36.8%	4,012	11.5%	1,055	3.0%	34,881
Cecil	5,903	19.7%	8,413	28.0%	8,219	27.4%	5,573	18.6%	1,890	6.3%	29,998
Chesapeake	7,511	26.5%	5,921	20.9%	7,182	25.3%	5,573	19.6%	2,202	7.8%	28,389
Frederick	10,498	18.7%	13,977	24.9%	18,365	32.8%	7,298	13.0%	5,911	10.5%	56,049
Garrett	3,797	21.9%	5,018	28.9%	3,914	22.6%	2,440	14.1%	2,181	12.6%	17,350
Hagerstown	9,269	19.2%	9,246	19.1%	16,044	33.2%	9,431	19.5%	4,313	8.9%	48,304
Harford	12,105	18.3%	15,127	22.9%	17,805	26.9%	11,003	16.6%	10,133	15.3%	66,173
Howard	16,665	16.6%	27,213	27.1%	38,039	37.9%	12,018	12.0%	6,401	6.4%	100,337
Montgomery	52,660	17.5%	96,264	32.1%	92,600	30.9%	34,341	11.4%	24,201	8.1%	300,065
Prince George's	28,406	21.6%	30,013	22.9%	42,190	32.1%	27,913	21.3%	2,772	2.1%	131,294
Southern Maryland	13,993	17.7%	17,046	21.6%	29,394	37.2%	10,939	13.8%	7,683	9.7%	79,053
Wor-Wic	8,846	25.7%	4,870	14.1%	10,114	29.4%	9,015	26.2%	1,596	4.6%	34,440
Unallocated ²	9,224	100.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	9,224
Total³	\$312,801	21.2%	\$321,884	21.8%	\$452,669	30.6%	\$270,624	18.3%	\$120,553	8.2%	\$1,478,532

¹Grants and contracts include unrestricted and restricted government (federal, State, or local) grants and contracts, as well as private gifts, grants, and contracts.

²Unallocated includes the Statewide Grant and Health Manpower Shortage Grant.

³Funding does not reflect transfers to or from fund balance.

Source: Maryland Higher Education Commission; Maryland Association of Community Colleges; *Fiscal 2015 State Budget Books*

State Funding for Locally Controlled Community Colleges

Exhibit 6.4 shows the major community college State aid programs and compares the amounts appropriated for the programs in fiscal 2011 and 2015. State funding for community colleges increased by \$39.2 million, or 15.2%, over the four-year period. This includes an increase of \$31.7 million in the Senator John A. Cade formula, the largest community college aid program, and an overall increase of \$7.1 million in the two retirement programs for community college employees. Exhibit 6.5 shows fiscal 2015 funding allocations by county, including funding per county for the three colleges that serve multiple counties. Descriptions of individual community college aid programs follow the exhibits.

Exhibit 6.4
Community College Aid Programs – Funding Trend
(\$ in Millions)

<u>Aid Program</u>	<u>Actual FY 2011</u>	<u>Estimate FY 2015</u>	<u>Percent Change</u>
Cade Funding Formula	\$194.4	\$226.1	16.3%
Small College Grants	3.9	4.4	13.6%
Statewide Programs ¹	8.5	6.7	-21.1%
ESOL Grants	3.8	5.5	44.7%
Regular Retirement Plan	33.7	40.3	19.5%
Optional Retirement Plan	13.8	14.3	3.5%
Total	\$258.1	\$297.3	15.2%

ESOL: English for Speakers of Other Languages

¹Funding includes Health Manpower Shortage, West Virginia/Garrett Reciprocity, and Somerset grants.

Source: Department of Legislative Services; *Fiscal 2013 and 2015 State Budget Books*

Exhibit 6.5
State Aid Programs
Fiscal 2015 Estimate
(\$ in Thousands)

County	Cade Formula	Small Colleges	ESOL	Retirement	Total Aid
Allegany	\$4,927	\$1,125	\$1	\$1,775	\$7,828
Anne Arundel	29,323	0	459	5,918	35,699
Baltimore	39,425	0	614	8,842	48,881
Carroll	7,572	382	53	1,257	9,264
Cecil	5,276	382	6	916	6,580
Frederick	9,111	0	194	2,179	11,484
Garrett	2,625	1,005	0	671	4,301
Hagerstown	7,875	765	27	1,801	10,468
Harford	11,036	0	49	2,568	13,653
Howard	15,471	0	487	3,887	19,845
Montgomery	40,853	0	2,507	13,371	56,730
Prince George's	26,009	0	925	5,696	32,630
Chesapeake					
Caroline	1,414	89	42	308	1,852
Dorchester	1,058	66	32	230	1,387
Kent	509	32	15	111	666
Queen Anne's	1,641	103	49	357	2,150
Talbot	1,526	96	46	332	2,000
Subtotal	6,148	385	184	1,337	8,054
Southern Maryland					
Calvert	2,404	0	1	545	2,949
Charles	8,160	0	2	1,849	10,011
St. Mary's	2,702	0	1	612	3,315
Subtotal	13,265	0	3	3,006	16,274
Wor-Wic					
Somerset	672	36	1	128	836
Wicomico	4,610	245	5	878	5,737
Worcester	1,914	102	2	364	2,383
Subtotal	7,196	382	8	1,370	8,956
Statewide Programs ¹	0.0	0	0	0.0	6,679
Total	\$226,110	\$4,426	\$5,517	\$54,594	\$297,326

ESOL: English for Speakers of Other Languages

Note: Numbers may not sum to total due to rounding. Estimates for regional colleges are based on each county's share of the college's enrollment.

¹Funding includes Health Manpower Shortage, West Virginia/Garrett Reciprocity, and Somerset grants.

Source: Department of Legislative Services; *Fiscal 2015 State Budget Books*

Senator John A. Cade Funding Formula

The Senator John A. Cade Funding Formula, the largest community college aid program, was established in 1996 and was named for the former senator in 1997. The State's annual contribution to the formula is determined by enrollment at community colleges and a percentage, set in statute, of the level of funding received by public four-year institutions.

Determining the Funding Level: The Cade formula bases per pupil funding on a set statutory percentage of current year State appropriations per full-time equivalent student at selected public four-year institutions of higher education. The resulting community college per student amount is multiplied by the number of full-time equivalent students enrolled in the colleges in the second preceding fiscal year to identify a total formula amount.

Due to budget constraints, funding was reduced below original statutory levels from fiscal 2008 to 2015. The formula percentages were revised in the 2011, 2012, and 2014 legislative sessions (Chapter 397 of 2011, Chapter 1 of the first special session of 2012, and Chapter 464 of 2014). In addition, fiscal 2011 and 2012 funding levels were set in statute at \$194.4 million per year. The percentage used in the formula is scheduled to phase up to the initial target of 29% by fiscal 2023. For further information on the percentages used in the Cade formula, see Chapter 4 of this handbook.

Distribution: There are three parts to the Cade formula that together set the level of funding each community college receives under the grant. The three components are discussed below.

- **Fixed Costs** – The fixed costs component, which accounts for 38% of formula funding, distributes aid to the colleges in the same proportion as the full formula provided in the previous fiscal year.
- **Marginal Costs** – Accounting for 60% of the formula allocation, funds are distributed in the same proportion as the distribution of full-time equivalent students across community colleges.
- **Size Factor** – This component distributes the remaining 2% of Cade funding to small colleges, defined as those with enrollments below 80% of the statewide median enrollment. The formula also provides for a phase-out of size factor funding for colleges that outgrow the “small size” category.

Finally, if the sum of a college's fixed costs, marginal costs, and size factor are lower than the previous year's funding level, a "hold harmless" component is added to the other components to bring the total State contribution up to the previous year's level. In previous years, while the State provided "hold harmless" funding, some local governments did not always maintain level funding for community colleges. Chapter 464 of 2014 requires a county to at least maintain its previous level of funding to its respective community college in order for the institution to receive hold harmless funding from the State. Exhibit 6.6 shows the distribution of \$226.1 million in fiscal 2015 formula funding. State aid through the Cade formula grew \$31.7 million, or 16.3%, from fiscal 2011 to 2015.

Exhibit 6.6
Senator John A. Cade Formula for Community Colleges
Fiscal 2015

College	FTE Students FY 2013	Fixed Costs¹ 38%	Marginal Costs² 60%	Size Factor³ 2%	Total Direct Grants
Allegany	1,861	\$1,900,098	\$2,381,136	\$646,029	\$4,927,263
Anne Arundel	14,049	11,343,900	17,978,572	0	29,322,472
Baltimore	19,009	15,098,823	24,326,177	0	39,425,000
Carroll	3,167	2,873,139	4,052,925	646,029	7,572,093
Cecil	2,060	1,993,756	2,636,114	646,029	5,275,899
Chesapeake	2,365	2,475,576	3,025,883	646,029	6,147,488
Frederick	4,332	3,567,291	5,544,061	0	9,111,352
Garrett	758	1,007,949	970,480	646,029	2,624,458
Hagerstown	3,326	2,972,651	4,256,358	646,029	7,875,038
Harford	5,361	4,175,251	6,860,493	0	11,035,744
Howard	7,651	5,679,724	9,791,128	0	15,470,852
Montgomery	19,992	15,269,500	25,583,436	0	40,852,936
Prince George's	12,626	9,852,144	16,157,020	0	26,009,164
Southern Maryland	6,553	4,878,652	8,386,334	0	13,264,986
Wor-Wic	2,904	2,833,468	3,716,072	646,029	7,195,569
Total	106,015	\$85,921,922	\$135,666,189	\$4,522,203	\$226,110,314

Note: Numbers may not sum to total due to rounding.

¹Based on formula distribution from the prior fiscal year.

²Based on the distribution of full-time equivalent students in the second prior fiscal year.

³Distributed equally among the colleges with less than 80% of the median number of full-time equivalent students in the second prior fiscal year. For fiscal 2015, 80% of the median equaled 3,465.87 full-time equivalent students.

Source: Department of Legislative Services; Department of Budget and Management

Other Community College State Aid Programs

Community colleges receive additional State support from several smaller grant programs summarized in Exhibit 6.7. In fiscal 2015, the miscellaneous grant programs totaled \$16.6 million, a 2.7% increase from fiscal 2011.

Exhibit 6.7
Funding for Other Community College Grant Programs
Fiscal 2015

College	Small College Grants¹	Health Manpower Shortage Grant²	West Virginia/ Garrett Reciprocity Grant	Somerset Grant	English for Speakers of Other Languages
Allegany	\$1,124,785	\$0	\$0	\$0	\$984
Anne Arundel	0	0	0	0	458,944
Baltimore	0	0	0	0	613,808
Carroll	382,387	0	0	0	53,152
Cecil	382,387	0	0	0	6,096
Chesapeake	384,843	0	0	0	184,360
Frederick	0	0	0	0	194,192
Garrett	1,004,773	0	59,995	0	0
Hagerstown	764,773	0	0	0	26,992
Harford	0	0	0	0	48,952
Howard	0	0	0	0	486,800
Montgomery	0	0	0	0	2,506,648
Prince George's	0	0	0	0	924,880
Southern Maryland	0	0	0	0	2,816
Wor-Wic	382,387	0	0	618,835	8,120
Total	\$4,426,335	\$6,000,000	\$59,995	\$618,835	\$5,516,744

¹Includes additional small college grants of \$360,000 for Allegany College and \$240,000 for Garrett College.

²A portion of the funding is allocated to all community colleges depending on enrollment in certain programs.

Source: Department of Legislative Services

Small College Grants: When the Cade Funding Formula began, it put a greater emphasis on enrollment as the basis for distributing funds and less of a focus on prior year funding. As a result, State funding to the smaller community colleges decreased. To account for this reduction, Chapter 105 of 1997 provided additional grants to seven small community colleges as specified in statute. In 1998, Chapter 570 required funding to equal \$2.0 million from fiscal 1999 to 2002, also specified in statute. Chapter 584 of 2000 increased the small college grants to \$2.5 million in fiscal 2003 and provided for annual inflationary adjustments after fiscal 2003. The annual increase is tied to the percentage increase in funding to public four-year institutions.

In fiscal 2015, three colleges (Allegany, Garrett, and Hagerstown) received approximately \$765,000 each and four more colleges (Carroll, Cecil, Chesapeake, and Wor-Wic) received approximately \$380,000 each through the Small College Grants. In addition, Chapter 350 of 2002 provided Allegany College and Garrett College annual unrestricted grants of \$360,000 and \$240,000, respectively, which are not increased for inflation. Total small college aid totaled \$4.4 million in fiscal 2015.

Tuition Programs: For certain students, the State pays some or all of the difference between in-county and out-of-county or out-of-state tuition rates:

- The Health Manpower Shortage Grant (\$6.0 million in fiscal 2015) pays the difference between in-county and out-of-county or out-of-state tuition rates for students enrolled in certain health programs.
- The West Virginia/Garrett Agreement (\$59,995 in fiscal 2015) allows students from West Virginia to attend Garrett College at in-county rates, with the State paying Garrett College an amount equal to full formula support for each full-time equivalent West Virginia student enrolled under the agreement.
- The Somerset Grant program (\$618,835 in fiscal 2015) allows students from Somerset County to attend Wor-Wic Community College at in-county rates, with the State paying half of the difference between in-county and out-of-county rates and Somerset County paying the other half.

English for Speakers of Other Languages: This program provides added State funding to community colleges based on enrollment of students in English for speakers of other languages programs at the community colleges. Each college receives \$800 per qualified full-time equivalent student. Chapter 658 of 2013 increased the annual State limit on program funding to \$8.0 million from the prior cap of \$6.0 million, and fiscal 2015 State aid for the program totaled \$5.5 million at local community colleges.

Funding for Baltimore City Community College

Baltimore City Community College became a State agency on July 1, 1990, when the State assumed full funding for the institution. This occurred primarily due to management inefficiencies and ineffectiveness at the college and to assist Baltimore City with its financial difficulties. Because it is a State agency, the financing of Baltimore City Community College is different from the funding structures supporting the other 15 community colleges.

As with the locally controlled community colleges, annual State funding for Baltimore City Community College is determined by a formula that bases per pupil funding for the college on a set statutory percentage of current-year State appropriations per full-time equivalent student at selected public four-year institutions of higher education. The resulting per student amount is multiplied by the number of full-time equivalent students enrolled at the college in the second preceding fiscal year to calculate a total formula amount.

Due to budget constraints, the formula percentages were revised in the 2011, 2012, and 2014 legislative sessions (Chapter 397 of 2011, Chapter 1 of the first special session of 2012, and Chapter 464 of 2014). In addition, fiscal 2011 and 2012 funding levels were set in statute at \$40.2 million per year. Under the most recent modification, the percentage used in the formula is scheduled to phase up to 68.5% by fiscal 2023.

In addition to formula funding, Baltimore City Community College also qualifies for additional State funding to provide instruction and services to students enrolled in an English for speakers of other languages (ESOL) program. The college receives an additional \$800 for each full-time equivalent student qualifying for the program. Chapter 658 of 2013 raised the ESOL cap for Baltimore City Community College from \$1.0 million to \$1.3 million. In fiscal 2015, funding for the program added \$914,336 to the State formula amount for Baltimore City Community College, bringing the fiscal 2015 appropriation to \$41.8 million. This is an increase of 2.3% over the fiscal 2011 State appropriation of \$40.9 million.

Outside of State funding, the largest source of unrestricted funding for Baltimore City Community College is student tuition and fees. The fiscal 2015 State budget estimated \$13.6 million in tuition and fee revenues for the college, as well as \$7.7 million in auxiliary enterprises and other unrestricted revenues. The fiscal 2015 budget also included \$22.5 million in restricted revenues: \$18.8 million in federal grants and contracts and another \$3.7 million from other sources. Total fiscal 2015 funding for the college was

estimated at \$91.6 million, down 3.3% from the fiscal 2011 funding level of \$94.7 million primarily due to a decrease in enrollment.

Community College Teachers' Retirement

Qualifying local community college employees are eligible to be members of one of two defined benefit plans. The first plan, available to employees hired before 1980, is the State Teachers' Retirement System. The second is the State Teachers' Pension System, for employees hired since 1980. Both systems are maintained and paid for 100% by the State and guarantee a monthly retirement allowance based on a predetermined formula. (The State did not make retirement payments associated with general salary increases during the fiscal crisis from fiscal 1992 to 1995. The community colleges were responsible for the costs.)

The State has also offered since 1975 a defined contribution plan, the Optional Retirement Program, instead of the defined benefit plan for certain community college employees. Under this program, the employee and employer both make contributions toward investment products, the performance of which determines the amount available to the employee upon retirement. Since 2009, the community colleges have been responsible for administering the Optional Retirement Program for their employees.

In fiscal 2011, the State spent \$33.7 million on the regular retirement programs and \$13.8 million on the optional retirement program. Since fiscal 2011, the cost of these programs grew by 25.9%, with costs for the State retirement and pension systems increasing 35.1% and costs for the optional retirement program increasing 3.5%. Exhibit 6.8 shows the distribution of fiscal 2015 payments for the regular and optional retirement plans.

Under Chapter 397 of 2011, beginning in fiscal 2012, community colleges are charged a share of retirement system administrative costs based on the number of their employees who are members of the Teachers' Pension System or Teachers' Retirement System. Chapter 397 also initiated State reinvestment of a portion of the savings generated by retirement/pension benefit change by making supplemental State contributions into the State Retirement and Pension System of Maryland trust fund.

Exhibit 6.8
State Payments for Community College Teachers' Retirement
Fiscal 2015
(\$ in Thousands)

College	Regular Plan	Optional Plan	Total
Allegany	\$1,593	\$182	\$1,775
Anne Arundel	4,102	1,816	5,918
Baltimore	6,657	2,185	8,842
Carroll	901	356	1,257
Cecil	545	371	916
Chesapeake	970	367	1,337
Frederick	1,479	700	2,179
Garrett	437	235	671
Hagerstown	1,463	338	1,801
Harford	2,097	471	2,568
Howard	2,742	1,145	3,887
Montgomery	9,303	4,068	13,371
Prince George's	4,963	732	5,696
Southern Maryland	1,998	1,008	3,006
Wor-Wic	1,043	327	1,370
Total	\$40,293	\$14,301	\$54,594

Note: Numbers may not sum to total due to rounding. Estimates by college are based on each college's projected salary base as a share of the total salary base for all colleges. Does not include Baltimore City Community College, which is a State institution.

Source: Department of Legislative Services

County Funding

Locally Controlled Community Colleges

County appropriations to the 15 locally operated community colleges totaled \$320.9 million in fiscal 2013 and represented 23% of total funding for the colleges. The amount provided by each county government is governed by a maintenance of effort provision, which requires counties to provide at least as much funding for community colleges as they provided in the previous fiscal year. Counties must adhere to the maintenance of effort requirement in order to receive aid increases or the hold harmless

component under the Senator John A. Cade formula. If the local appropriation for a college is reduced from one fiscal year to the next, the college receives no more than the amount of Cade funding it received in the previous year. For regional colleges with more than one supporting county, local support in the aggregate must be at least as much as was provided in the previous year. The maintenance of effort requirement does not apply, however, when State funding does not increase or declines from one fiscal year to the next.

Maintenance of effort sets a minimum local contribution for each college, but the amount, if any, provided above the minimum is a local decision influenced by certain factors. Counties with larger tax bases, for example, are able to provide more funding for their colleges, and counties where greater numbers of citizens attend the colleges may also decide to provide additional support. Exhibit 6.9 displays total local appropriations and local appropriations per pupil and also shows the relationship between the two primary county tax bases (taxable income and assessable real property) and local appropriations. The table shows that fiscal 2013 county appropriations varied from \$1,469 per student for Wor-Wic Community College to \$6,769 for Garrett College, averaging nearly \$3,000 per full-time equivalent student statewide. The table also shows a range of support for community colleges relative to local tax bases. In particular, Allegany and Garrett counties utilize higher percentages of their local tax bases in support of their local colleges than other jurisdictions.

Exhibit 6.9
County Appropriations to Community Colleges
Fiscal 2013

**Community College Funding as
a Percent of Local Tax Bases**

<u>College</u>	<u>County Appropriation</u>	<u>Per Pupil Appropriation</u>	<u>Net Taxable Income</u>	<u>Real Property Tax Base</u>
Allegany	\$7,425,000	\$3,877	0.870%	0.121%
Anne Arundel	32,047,700	2,158	0.235%	0.026%
Baltimore	39,761,477	1,976	0.222%	0.030%
Carroll	8,542,027	2,552	0.231%	0.028%
Cecil	8,412,801	4,068	0.509%	0.052%
Chesapeake	5,920,735	2,269	0.186%	0.014%
Frederick	13,977,389	3,033	0.260%	0.033%
Garrett	5,018,083	6,769	1.304%	0.069%
Hagerstown	9,246,330	2,813	0.420%	0.046%
Harford	15,126,919	2,805	0.290%	0.036%
Howard	27,213,286	3,671	0.288%	0.039%
Montgomery	96,263,605	4,969	0.283%	0.037%
Prince George's	30,012,999	2,299	0.222%	0.023%
Southern Maryland	17,045,578	2,757	0.236%	0.026%
Wor-Wic	4,869,735	1,469	0.203%	0.013%
Total	\$320,883,664	\$2,963	0.266%	0.031%

Source: Maryland Higher Education Commission; Department of Legislative Services

Baltimore City Community College

State law requires Baltimore City to provide \$1.0 million annually for Baltimore City Community College. Of this amount, at least \$400,000 must be used each year to support tuition reimbursement or scholarships for students at the college. The remaining amount must be spent in a manner consistent with the mission of the college.

Tuition and Fees

The average cost of tuition and fees for the 2014-2015 academic year for a full-time undergraduate student was \$3,910 for a resident of the service area. Exhibit 6.10 shows annual tuition and mandatory fees for full-time students who are residents of the service area for each of the community colleges. Community colleges charge higher tuition rates for Maryland students from other regions of the State and an even higher tuition rate for nonresidents of Maryland. Baltimore City Community College, as a State agency, charges only one tuition rate for all in-state students.

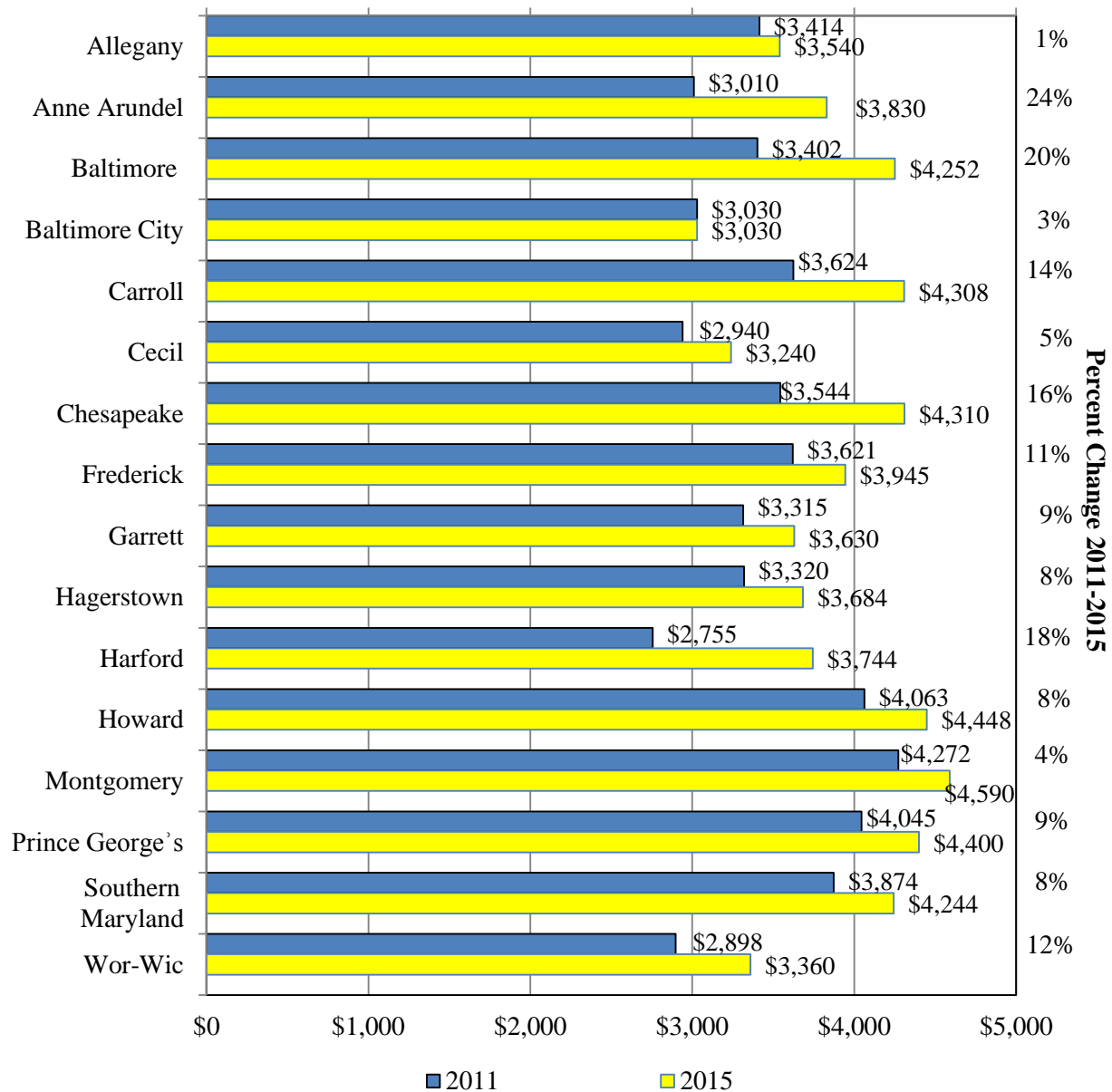
While four-year institutions benefited from a multi-year tuition freeze and ongoing limits to increases in tuition, the State provided only one fiscal year of comparable support to community colleges through the Keeping Maryland Community College Affordable Act. In fiscal 2012 this grant distributed a total of \$5.0 million, based on eligible enrollment, to colleges that did not raise tuition more than 3%. The Keeping Maryland Community College Affordable Act was discontinued during the economic downturn.

Despite only a single year of tuition buydown support, community college tuition has become more affordable relative to other states over the last few years. During the 2005-2006 academic year, Maryland's community colleges averaged the ninth most expensive in the country, according to the College Board; however, by the 2013-2014 academic year, their ranking had improved to nineteenth. Exhibit 6.10 also compares tuition rates for full-time students who are residents of the service area for each of the community colleges for the year that the tuition freeze was lifted at four-year institutions (fiscal 2011) to fiscal 2015.

Community college students are generally more price sensitive than students enrolling at four-year institutions, so two-year institutions keep tuition increases low, especially during an expected period of enrollment decline. For example, Baltimore City Community College has not raised its in-state tuition rate of \$88 per credit since fiscal 2008 or its consolidated fee of \$12 per credit since fiscal 2007.

Undocumented students who attended and graduated from a Maryland high school and met other requirements are eligible to pay a rate equivalent to in-county or out-of-county tuition rates at Maryland community colleges. For more information on this and other State tuition policies, see Chapter 4 of this handbook.

Exhibit 6.10
Full-time Tuition and Fees for Community Colleges
Fiscal 2011 and 2015



Note: The data shows annual tuition and mandatory fees for full-time students who are residents of the county or service area.

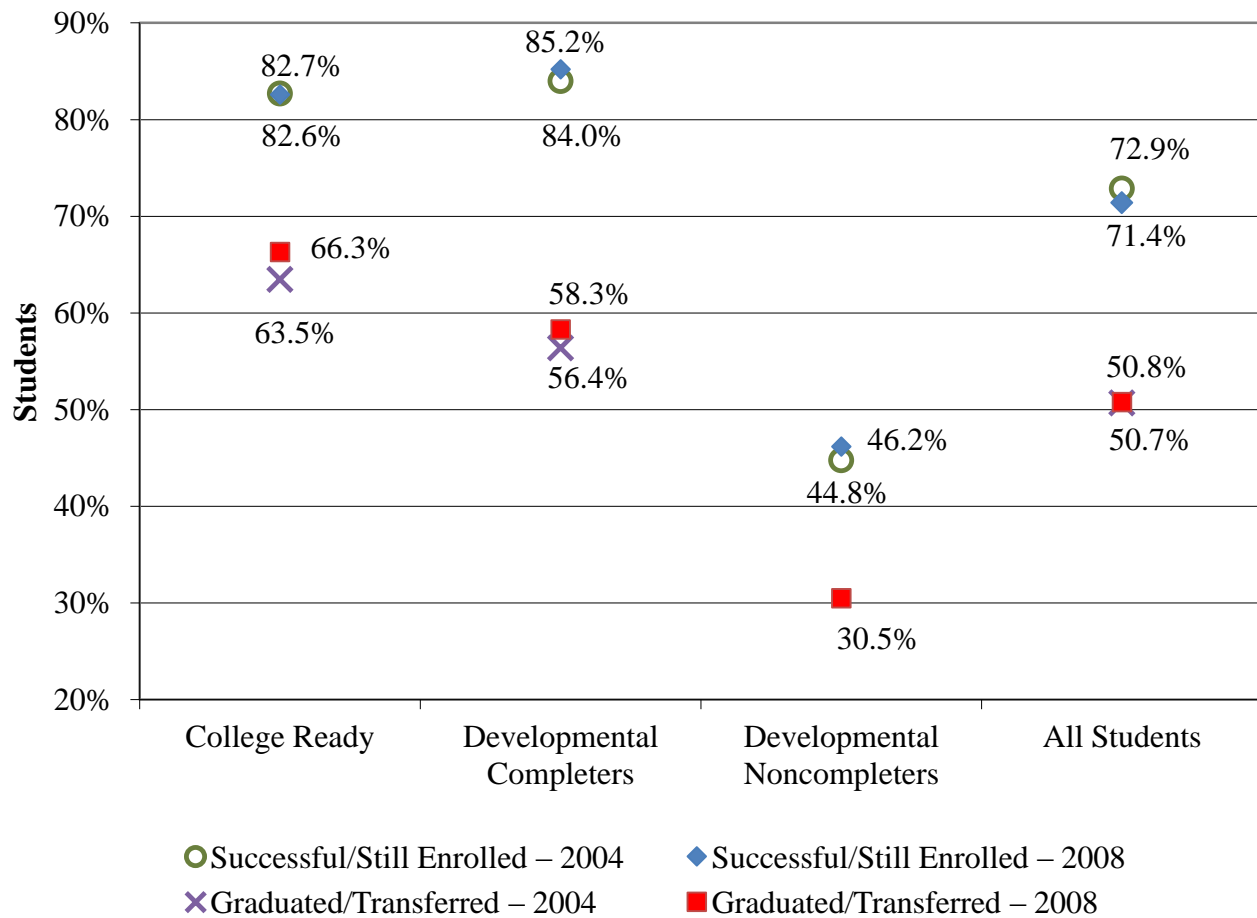
Source: Maryland Association of Community Colleges – 2011 and 2015 Databook

Successful Persister and Graduation/Transfer Rates

Students enrolling at community colleges may have different goals than those who enroll at a four-year institution. Community college students often have greater needs for remedial or developmental coursework, and obtaining an associate's or bachelor's degree may not be the top priority. As such, it is difficult to directly compare the outcomes of students in community colleges versus four-year institutions. For community college performance, instead of graduation rates, successful persister rates are used. A successful persister is a student who attempted 18 or more credits in the first two years of study and who, after four years, is still enrolled, has graduated, or has transferred to another higher education institution.

Successful persister rates of three subgroups of students are measured: college ready, developmental completers (those who need developmental coursework and complete needed courses within four years), and developmental noncompleters (those who need developmental work and have not completed recommended coursework in four years). Exhibit 6.11 shows the successful persister rate for all three subgroups and also that for all students in the 2004 and 2008 cohorts. Successful persister rates are highest for developmental completers, while graduation/transfer rates are highest for college ready students. Overall, after four years, 71.4% of students first enrolled in fall 2008 were still enrolled, and 50.8% had graduated or transferred. These figures are very similar to the 2004 cohort's respective rates of 72.9% and 50.7%. Over several years of data, developmental completers routinely outperform students rated as college ready, while developmental noncompleters have much lower success rates. Improving the developmental coursework pipeline is an ongoing effort within the two-year sector.

Exhibit 6.11
Persistence Four Years After Initial Enrollment in Community College
2004 and 2008 Cohorts



Note: Graduation/transfer data for developmental noncompleters was not reported for the 2004 cohort. A successful persister is a student who attempts at least 18 credits in the first two years, and who, after four years, is still enrolled, has graduated, or has transferred.

Source: Maryland Association of Community Colleges

Chapter 7. P-20 Alignment

Maryland's efforts to align primary and secondary education with higher education began in 1995, with the establishment of the Maryland Partnership for Teaching and Learning K-16, a voluntary alliance of the Maryland State Department of Education, the Maryland Higher Education Commission, and the University System of Maryland. The College Readiness for Disadvantaged and Capable Students Act of 2002 (Chapters 315 and 420) required the three agencies to enter into a memorandum of understanding to formalize the partnership and its governing council, the K-16 Leadership Council.

In 2007, Maryland took another step toward aligning education with workforce development when the Governor issued Executive Order 01.01.2007.20, which created the Governor's P-20 Leadership Council of Maryland. The council, a partnership between State educators and the business community, was later codified by Chapter 191 of 2010. It oversees the furtherance of an aligned education system that extends from prekindergarten through all levels of education and into career attainment, *i.e.*, P-20.

Governor's P-20 Leadership Council of Maryland

The P-20 council is primarily charged with aligning prekindergarten through postsecondary education and ensuring that Maryland will produce and maintain a competitive workforce. The council's mission is to better prepare Maryland students for the jobs of the twenty-first century while enhancing the State's economic competitiveness by creating a workforce with twenty-first century skills.

The Governor or the Governor's designee chairs the council. Its members include representatives from primary and secondary education, higher education, workforce-related State agencies, the business community, and legislators. An executive committee, which directs the work of the council, consists of the Governor; the Secretary of Higher Education; the Secretary of Labor, Licensing, and Regulation; the Secretary of Business and Economic Development; the Chancellor of the University System of Maryland; and the State Superintendent of Schools.

Meetings take place at least quarterly, and the council must report annually to the Governor and the General Assembly. The council may establish other committees or task forces as necessary. For example, the council appointed the College Success Task Force in 2009 to develop a definition and implementation plan for college readiness in Maryland. The College Success Task Force submitted a final report to the council in April 2010 that included eight recommendations to improve college readiness in Maryland, such as

changing curricula and high school graduation requirements to meet higher standards and identifying and adopting college/career-readiness assessments to be used statewide. A more recent example of a task force established by the council is the Task Force on Teacher Education, which has been charged with examining Maryland policies and regulations on teacher education in the context of the new Maryland College- and Career-Ready Standards.

College and Career Readiness and College Completion Act of 2013

Comprehensive legislation was enacted in 2013 to further the education alignment goal and to better prepare Maryland students for college and careers. The College and Career Readiness and College Completion Act of 2013 (Chapter 533) codified the State goal that at least 55% of the State's residents age 25 to 64 will hold at least an associate's degree by 2025, and made many policy changes intended to move the State toward this goal. The preparation of students to succeed in college and career includes, among other things, the alignment of curricular requirements in high school with college and career expectations, including requiring four years of mathematics; the availability and accessibility of college-level courses to high school students (dual enrollment and early/middle college); the facilitation of credit transfer between community colleges and four-year institutions of higher education; and the encouragement of students who nearly completed their degrees to return to institutions of higher education. The Act charged the P-20 council with ensuring that the college and career readiness and college completion strategies contained in the Act are implemented. The council is required to report on the implementation of the strategies by December 1, 2014, and every two years thereafter.

Four Years of Mathematics

Beginning with the ninth grade class of 2014, each student is required to enroll in a mathematics course during each year that the student attends high school. It is the State's goal that all students achieve mathematics competency in at least Algebra II by the time they graduate. These courses may include math-related career and technology program courses or credit-bearing mathematics transition courses. For further information regarding the mathematics course requirements, see Chapter 2 of this volume.

Transition Courses

As part of aligning the curricular requirements of high school with college and career expectations, beginning with the 2015-2016 school year, all students must be assessed using acceptable college placement cut scores no later than grade 11 to determine whether they are college and career ready specifically relating to English language arts, literacy, and mathematics. By the 2016-2017 school year, transition courses or other

instructional opportunities must be delivered to students in grade 12 who have been found not to be college and career ready. However, a transition course may not fulfill the mathematics requirement to the exclusion of other credit-bearing courses that are required for graduation.

Dual Enrollment

Dual enrollment allows high school students to enroll in college courses for credit prior to high school graduation. A dually enrolled student is a student who is enrolled in a secondary school and an institution of higher education at the same time. The student takes credit-bearing courses that count toward earning a high school diploma and a college degree.

In order to increase the availability and accessibility of college-level courses to high school students, the College and Career Readiness and College Completion Act altered the tuition payment schedule and requirements for a public high school student who is dually enrolled in a public higher education institution. Beginning with the fall 2013 semester, a public institution of higher education may no longer charge tuition to the student. Instead, each local school system must pay the institution a percentage of the institution's tuition based on how many courses the student takes, and the local school system may charge the student a fee to cover these costs. However, the local school system may not charge a fee to students who are eligible to receive free and reduced-price meals, and a student's ability to pay must be taken into account when setting fees.

All of the community colleges have executed a memorandum of understanding with the local school systems in their jurisdictions. Many community colleges are acting as the billing agent for the local school system and collecting fees from the parents of the dually enrolled students directly, with the appropriate adjustments being made for the school system to pay for free and reduced-price meal students while maintaining the confidentiality of the students' free and reduced-price meal status.

Approximately 3,700 students were dually enrolled during the fall of 2013. These students registered for 23,292 college credits, or an average of 6.3 credits attempted per student. Of all students enrolled, 97.5% enrolled in a community college.

Statewide Transfer Agreements

The Maryland Higher Education Commission, in collaboration with the public institutions of higher education, is required to develop and implement agreements that facilitate statewide transfer (from community colleges to four-year institutions) and reverse transfer (from four-year institutions to community colleges) by July 1, 2016. Maryland's

online articulation data system (ARTSYS), which currently communicates the transferability of courses and credits among the segments of higher education, is operated and owned by the University System of Maryland. During the 2013 session, questions arose regarding the transparency and user-friendly functionality of ARTSYS, as well as whether there are alternative articulation data systems available, and if so, what would be the cost and schedule of implementation.

In response, the Maryland Higher Education Commission and the University System of Maryland, in collaboration with the Student Transfer Advisory Committee and representatives of the Maryland Association of Counties, have conducted focus groups and user surveys, as well as prepared a draft report. In addition, in March 2014, the University System of Maryland launched a redesign of ARTSYS that includes an updated format and style; an enhanced keyword search; the addition of text and video-based tutorials; and more clearly delineated website sections for students, parents, and institutional faculty and staff. A final report is expected in the fall of 2014.

Statewide Communication Plan for Near Completers

The Maryland Higher Education Commission, in collaboration with institutions of higher education, must create a statewide communication campaign to identify “near completers,” *i.e.*, individuals who have completed some college credits but did not earn a degree and no longer attend an institution of higher education. The campaign must make use of a variety of marketing media, including billboards, brochures, and electronic resources; provide a centralized contact point for near completers to get information about and assistance with reenrollment; make readily available contact information for each public institution of higher education in the State; and focus on those individuals who earned a minimum grade point average of 2.0 on a scale of 4.0 while in college and earned at least 45 credits at a community college or at least 90 credits at a four-year institution. Further, the commission must develop and implement a plan that would provide an incentive for a near completer to reenroll and for a college to identify and graduate near completers.

Grants Fund Completion Strategies

Several grant-funded initiatives supporting college completion already existed at the time of the passage of the Act. In 2011, the Governor and the legislature authorized the commission to establish a \$250,000 competitive grant program called Complete College Maryland or One Step Away, which provides seed money to institutions to identify, contact, reenroll, and graduate near completer students. Since fiscal 2012, 17 institutions have received funding for two-year awards ranging between \$43,000 and \$69,000, depending upon the scope of the project. As reported to StudentStat in July 2014, 368 near

completers have re-enrolled and 86 have completed degrees. Nine projects have just begun; therefore, this number is expected to increase significantly. Additionally, in 2012, USM provided one-time grant funds to member institutions to provide financial assistance to near completers.

Although there has been reported success from these and other grant programs, the commission has not yet implemented a statewide marketing campaign to identify and attract near completers back to higher education and attainment of a degree because no funds are currently available to support that communication effort. However, a communication plan and budget was developed with input from all segments should funds become available in the future. Federal funds supporting the redesign of the MdGo4It website will support a near completers and reverse transfer information page on the website. The commission plans to develop informational pages on its website as well. In the meantime, the near completer campaign remains housed at each individual institution.

Growing by Degrees Grant

Maryland received two major grants that were aimed at helping the State to reach its 55% degree completion goal. The first major grant was Growing by Degrees, a Lumina Foundation for Education grant for which states applied for funding to demonstrate innovative higher education practices. Maryland was one of seven recipients and received over \$1 million.

The Growing by Degrees grant is administered by the University System of Maryland and is focused on three levels:

- **State Leadership Level:** coordinates statewide policies promoting the State's degree completion goals, and works on achieving the goals within available resources through the Governor's P-20 Council;
- **Campus Level:** funds meetings and conferences for campus leaders to discuss best practices and cost saving measures to create savings that can be reinvested in other college priorities; and
- **Faculty and Student Level:** the majority of the work will be done at this level and targets course redesign. This typically takes "bottleneck" courses that students tend to have trouble successfully completing and redesigns the structure to boost student learning. Courses become more online-based, and students are usually learning at their own pace. The grant will fund Course Redesign Fellows, who will be able to assist or advise colleges undertaking a redesign project.

Growing by Degrees has funded 17 sub-grants, most valued at \$20,000, with matching funds provided by recipient institutions. Recipients include community colleges; four-year public institutions; and private, nonprofit colleges for a variety of courses, but most involve science or math. Specifically, five of the sub-grants support the redesign of basic arithmetic or algebra. The first round of sub-grants was awarded in fall 2010 with redesign developed during the 2010-2011 academic year. The new courses were piloted during the fall 2011 semester and were fully implemented by the spring 2012 semester. The second round of sub-grants was awarded in fall 2011 and followed a schedule delayed by one year, with a pilot in fall 2012 and implementation in spring 2013.

Complete College America Grant

The second major grant Maryland received was a \$1 million grant in fiscal 2012 from Complete College America to fund two programs targeted toward increasing the number of Maryland residents with a college degree. Approximately \$0.6 million went toward developmental mathematics course redesign at community colleges and Historically Black Colleges and Universities, while the remaining funding went to awarding associate's degrees to transfer students who have satisfied all two-year degree requirements, a process called reverse transfer, which was also discussed above.

The course redesign portion provided sub-grants to 12 community colleges, Morgan State University, and Coppin State University to redesign 32 courses, as well as recruit and train six Course Redesign Fellows. The sub-grants focused on developmental algebra and trigonometry and provided a maximum of \$30,000 per redesigned course. The redesigned courses are computer lab-based and feature modular designs so that students can test out of certain lessons to accelerate course completion, and classes vary in length to facilitate concurrent enrollment with credit-bearing math classes. Several pilot redesign classes were held in the fall 2012 semester and by the spring 2013 semester, about 10,300 students enrolled in redesigned math classes, which was approximately one third of all developmental math students at the participating institutions. Significant student improvement was noted by participating institutions for the students who participated in the redesigned spring 2013 classes, including a 100% pass rate in one of Wor-Wic Community College's redesigned classes, and student performance gains of about 30 percentage points in redesigned classes at the Community College of Baltimore County, Harford Community College, Anne Arundel Community College, and Cecil Community College.

The second component of the Complete College America grant provided funding for the Associate Degree Award for Pre-degree Transfer Students (ADAPTS), which focuses on awarding associate's degrees to students who transferred from a community college before completing a two-year degree but had sufficient credits or subsequently

earned sufficient credits to receive an associate's degree (also known as reverse transfer). Awarding an associate's degree to a student enrolled in a four-year degree program can help improve student performance and provide a safety net if the student withdraws from the four-year institution. Before ADAPTS, reverse transfer was largely uncoordinated. Now, after the completion of several pilot projects, the goal is to learn how best to identify students who are eligible or close to being eligible for an associate's degree and then identify the policy and institutional changes that must occur to make the transfer of credits seamless. In the first round of ADAPTS in fiscal 2013, 3,123 transcripts were individually analyzed from 11 institutions, and 452 degrees were awarded, or about 13% of analyzed transcripts. Additional awards are likely to be made out of this pool. A related grant called Credit When It's Due, from USA Funds and the Lumina Foundation, will formalize and expand ADAPTS in fiscal 2014. In total, community colleges have awarded 764 associate's degrees since the statewide initiative began.

As one of the alliance of states working with Complete College America, Maryland is collecting data on and annually reporting on certain outcome and progression metrics that measure student progress toward degree completion. Examples of some of the metrics are: the annual number and percentage of degrees and certificates, time and credits to degree, enrollment in remedial education, success beyond remedial education, success in first-year college courses, credit accumulation, retention rates, and course completion.

Early and Middle College

High school students can also be introduced to the rigors of college coursework through programs such as early and middle college. Instead of dually enrolling on a course-by-course basis, early and middle college programs are designed to provide students with a high school degree and a postsecondary credential, usually 60 college credits or an associate degree, upon high school graduation. Early college high schools and middle college high schools are secondary schools that are located on college campuses where students can earn college credit; however, middle college high schools are designed to serve student populations that have been historically underserved or underrepresented in college.

The Governor and the General Assembly approved funding for the Early College Innovation Fund beginning in 2013 to support efforts to increase access to postsecondary education while in high school, namely through early and middle college programs. A total of \$2.0 million was allocated for partnerships between local school systems and institutions of higher education in fiscal 2014 and an additional \$1.4 million in fiscal 2015 for programs that target students seeking science, technology, engineering, and math (STEM) courses of study or STEM-related career and technical education. One of these grant recipients, the Academy of Health Sciences at Prince George's Community College,

which is operated in partnership with the Prince George's County Public School System and will award its students both a high school diploma and an Associate of Arts degree upon completion, reports that the dual enrollment provisions of the Act have been a boon in terms of promoting, encouraging, and guiding funding discussions relating to its dually enrolled students. In May 2015, the first cohort of 100 students will graduate from this program.

Remediation

At the opposite end of the spectrum from students who have the skills to enroll in college courses for credit while still in high school are students who graduate from high school and enter college without the skills that are necessary to succeed in college level work. While Maryland has made great strides toward a seamless and integrated P-20 continuum, there is more work to be done because some students still enter college without the reading, writing, or math skills that are necessary to succeed.

Remediation Rates

The percentage of students who enter college without the necessary reading, writing, or math skills to study alongside their peers is called the remediation rate. This rate is expected to increase as the number of Maryland residents in historically underserved populations continues to rise.

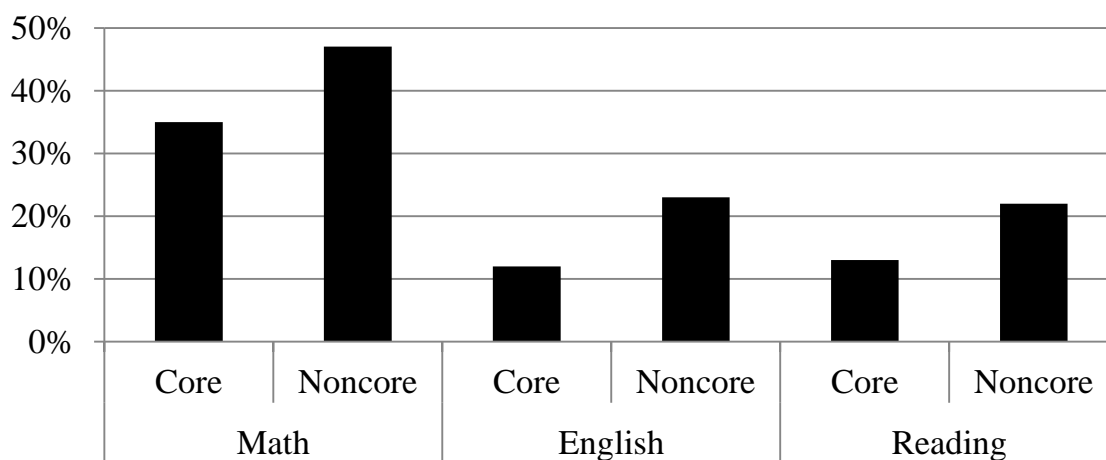
If students enter college without the proper skills, they are unlikely to succeed unless they participate in remedial education, also known as developmental education or basic skills training, in order to develop the skills they are lacking. Remediation can take several forms, from testing to determine where the gaps are, to modifying curriculum, to providing tutoring and other support services, and evaluating success upon completion of remedial work. Remedial education at the college level is considered an inefficient use of college and student resources, since the skills being developed should have been learned earlier in the educational process. Remedial courses are noncredit-bearing and do not count toward a certificate or degree. However, students are required to pay tuition for the courses.

In 1988, the General Assembly passed legislation that required the Maryland Higher Education Commission to improve the information that was provided to high schools and local school systems regarding the performance of their graduates at the college level. As a result, the commission established the Student Outcome and Achievement Report (SOAR), which examines the academic performance of recent Maryland high school graduates during their first year of study at a Maryland higher education institution. SOAR compares the students who completed a college preparatory course of study in high school ("core") to the students who did not complete a college preparatory curriculum

(“noncore”). With few exceptions, and as expected, the core students performed better than the noncore students regardless of race, gender, the county in which they attended high school, or the specific higher education institution they attended.

SOAR provides remediation rates for students in three key subject areas: math; English; and reading. As shown in Exhibit 7.1, of the students who graduated from a Maryland high school in the 2007-2008 academic year and who also enrolled at a Maryland college during the 2008-2009 academic year, the highest percentage (47%) of remediation was for noncore students in math, and the lowest percentage (12%) of remediation was for core students in English. SOAR no longer collects data on core and noncore students since all high school degree bound students must take a core set of courses.

Exhibit 7.1
Percent of Core and Noncore Curriculum Students
Needing Remediation in College
2008-2009 School Year



Note: The exhibit includes only students who graduated from a Maryland high school in the 2007-2008 school year and who also enrolled at a Maryland college during the 2008-2009 school year.

Source: *Student Outcome and Achievement Report, June 2011*, Maryland Higher Education Commission

Trends in Remediation Rates

Consistent with the national trend, Maryland SOAR data consistently shows that more students (both core and noncore) require remediation in math than in English or reading. Additionally, the percentage of students requiring remediation in math has been steadily increasing. Using the most recent data trend available for Maryland students,

during the 12-year period from the 1997-1998 academic year to the 2008-2009 academic year, the proportion of core students who required math remediation increased by 12 percentage points, growing from 23% to 35%. The proportion of noncore students requiring math remediation increased by almost the same percentage, growing from 36% to 47%.

Conversely, the percentage of Maryland students who required remediation in English and reading remained stable or decreased slightly over the same time period. In the 1997-1998 academic year, 12% of core students and 22% of noncore students needed remediation in English. By the 2008-2009 academic year, the proportion of core students who required remedial assistance in English remained at 12%, and the proportion of noncore students who required remedial assistance in English increased by just one percentage point to 23%. Similarly, over the same time period, the proportion of students requiring remediation in reading decreased from 14% to 13% for core students and from 24% to 22% for noncore students.

The commission also reports remediation rates in its annual *Data Book*. Up through the 2010 *Data Book*, remediation rates were collected and reported using the distinction of core and noncore students by math, English, and reading. However, since data for core and noncore students is no longer collected, beginning with the 2011 *Data Book*, the data on remediation rates is shown by the percentage of recent high school graduates enrolled in a Maryland public institution of higher education who are assessed to need remediation or are enrolled in a remedial course. This data is shown by institution and by place of residence. In the 2014 *Data Book*, which shows remediation rates for students enrolled during the 2010-2011 academic year, the statewide remediation rate for students at all Maryland public institutions was 55.1%. The rate has hovered around this same percentage since the reporting method changed in the 2011 *Data Book*: 54.3% for the 2007-2008 academic year; 54.7% for the 2008-2009 academic year; and 57.5% for the 2009-2010 academic year.

Measuring Remediation and Redesigning SOAR

Until recently, SOAR was published biennially; however, the most recent edition of SOAR is June 2011 because the commission is in the process of redesigning this report. The redesigned SOAR is expected to be published in 2015. The report is being redesigned for several reasons. First, data for core and noncore students is no longer collected. Second, the scope of the data collected and reported through SOAR is very limited. SOAR collects information only on Maryland high school graduates who went on to enroll at a Maryland college in either the fall or the spring immediately following their high school graduation; therefore, the report excludes some students who might traditionally need

remedial assistance, such as adult learners who enroll in college several years after graduating from high school.

Another limitation of SOAR is that only students who take the SAT or ACT are included in the report. The data reported in the June 2011 SOAR was based on only 32% of public high school graduates who took the SAT or ACT and enrolled in college in Maryland. In addition, of the students who were included in the report, all credit enrollments were captured; therefore, students who enrolled in only one or two credit classes were included along with students who were enrolled full-time.

Maryland is not unique in its challenges to measure remediation. In a June 2014 report, the Education Commission of the States found that several states do not report remediation data in any form, and even among the states that regularly report on remediation, there is little consistency regarding how and when remediation is measured and reported. As noted below, even among the public four-year institutions in Maryland there is a wide variation in the measuring and reporting of remediation.

Remedial Education at Public Four-year Institutions

Practices and instances of remedial education vary widely among public four-year institutions of higher education. Each public four-year institution sets its own standards for placing students in remedial courses, and the institutions use a variety of measures to determine college readiness including ACCUPLACER, ACT, SAT, Advanced Placement test scores, and tests developed by the institution. Standards to determine whether placement testing is necessary also differ. For example, students at Coppin State University with a math SAT score of 470 are considered ready for credit-bearing coursework while students at the University of Maryland, College Park must score at least a 600. As a result, the variation in remediation rates at public four-year institutions may not only be a result of the type of students that enroll at each institution, but also of each institution's college-ready standard.

A few Maryland public four-year institutions of higher education do not offer remedial coursework. During the 2010-2011 academic year, Salisbury University, St. Mary's College of Maryland, and the University of Maryland, Baltimore did not offer remedial courses.

Due to the limitations of SOAR data discussed above, data collected for submission to Complete College America was used to show the percentage of students enrolled in remedial education courses at public four-year institutions and community colleges in Exhibits 7.2 and 7.3. The data includes all first-time students enrolled in a remedial course, which includes first-time students at any age and any residency, *i.e.*, out of state.

Exhibit 7.2 shows the percentage of first-time students who enrolled in remedial courses at one of the public four-year institutions in Maryland that offered remedial courses in the 2010-2011 academic year. The percentage of students enrolling in remedial courses ranges from a high of 92.8% at Bowie State University to a low of 1.4% at the University of Maryland Baltimore County. The average for all public four-year institutions is 27.5%.

Exhibit 7.2
Students Enrolling in Remedial Courses at Public Four-year Institutions
2010-2011 Academic Year

<u>Institution</u>	<u>Percentage of Students Enrolling in Remedial Courses</u>
Bowie State University	92.8%
Coppin State University	71.0%
Frostburg State University	40.8%
Towson University	18.7%
University of Baltimore	78.9%
University of Maryland Baltimore County	1.4%
University of Maryland, College Park	3.0%
University of Maryland Eastern Shore	90.2%
University of Maryland University College	27.7%
Morgan State University	79.1%
Average	27.5%

Note: The exhibit includes only public four-year institutions that offered remedial courses in 2010-2011 and includes only first-time students. Unduplicated count of students needing remediation in math, English, or reading. The average is a weighted average.

Source: Complete College America; Maryland Higher Education Commission; Department of Legislative Services

Remedial Education at Community Colleges

Although practices and instances of remedial education vary widely among public four-year institutions, every community college in the State offers remedial courses, programs, and other remedial activities, such as skills labs, learning centers, and tutoring. Since 1998, every community college has used the same placement exams and methods. All community colleges use the COMPASS or ACCUPLACER exam and the same cutoff

scores to determine whether students require remediation. In addition, community colleges uniformly exempt only students with at least a 550 SAT or 21 ACT score from placement testing.

Exhibit 7.3 shows the percentage of first-time students who enrolled in remedial courses at a community college in Maryland in the 2010-2011 academic year. The percentage of students enrolling in remedial courses ranges from a high of 80.0% at Baltimore City Community College to a low of 44.7% at the College of Southern Maryland. The average for all community colleges is 63.1%.

Exhibit 7.3
Students Enrolling in Remedial Courses at Community Colleges
2010-2011 Academic Year

<u>Institution</u>	<u>Percentage of Students Enrolling in Remedial Courses</u>
Allegany College of Maryland	65.5%
Anne Arundel Community College	55.5%
Baltimore City Community College	80.0%
Carroll Community College	73.8%
Cecil College	47.2%
Chesapeake College	74.2%
College of Southern Maryland	44.7%
Community College of Baltimore County	71.2%
Frederick Community College	58.4%
Garrett College	74.0%
Hagerstown Community College	70.5%
Harford Community College	65.2%
Howard Community College	60.4%
Montgomery College	55.0%
Prince George's Community College	68.4%
Wor-Wic Community College	79.8%
Average	63.1%

Note: The exhibit includes only first-time students. Unduplicated count of students needing remediation in math, English, or reading. The average is a weighted average.

Source: Complete College America; Maryland Higher Education Commission; Department of Legislative Services

Maryland Longitudinal Data System

Maryland has developed a comprehensive statewide longitudinal data system that will allow the effective organization, management, disaggregation, and analysis of individual student data, within federal and State data privacy and security laws, as well as the examination of student progress and outcomes over time, including preparation for postsecondary education and the workforce. The development of a longitudinal data system in Maryland was largely driven by the fact that a comprehensive statewide longitudinal data system was a key component of applications for federal Race to the Top funds and was one of the assurances that the State was required to make in order to receive funds from the State Fiscal Stabilization Fund authorized by the American Recovery and Reinvestment Act of 2009.

Prior to the creation of a statewide longitudinal data system, Maryland's three data systems for primary and secondary education data, higher education data, and workforce data could not be linked together in a cohesive way. The primary and secondary education data system included only 4 of the 10 essential components of an effective data system that would be used to evaluate longitudinal data systems in state Race to the Top applications as defined by the Data Quality Campaign. Two required elements that were missing from Maryland's system were the ability to link to higher education and the use of a unique teacher identifier.

In response to the need for Maryland to have a comprehensive statewide longitudinal data system, Chapter 190 of 2010 required the Maryland State Department of Education; the Maryland Higher Education Commission; the University System of Maryland; Morgan State University; St. Mary's College of Maryland; and the Department of Labor, Licensing, and Regulation to jointly establish the Maryland Longitudinal Data System. The Maryland Longitudinal Data System is a statewide data system that contains individual-level student data and workforce data from all levels of education and the State's workforce. The primary purpose of the data system is to facilitate and enable the linkage of student data and workforce data as well as generate timely and accurate information about student performance that can be used to improve the State's education system and guide decision makers at all levels. The linkage of student data and workforce data is limited to no more than five years beyond the individual's latest attendance in any educational institution in the State.

Chapter 190 also established the Maryland Longitudinal Data System Center as an independent unit within State government that will serve as a central repository for the data, ensure compliance with federal privacy laws, perform research on the data sets, and fulfill education reporting requirements and approved public information requests. General oversight and direction is provided to the center by the Maryland Longitudinal

Data System Governing Board. The 12-member board includes the Secretary of Higher Education; the Chancellor of the University System of Maryland; the President of Morgan State University; the State Superintendent of Schools; the Secretary of Labor, Licensing, and Regulation; the Executive Director of the Maryland Association of Community Colleges; and the President of the Maryland Independent College and University Association (or their designees). A representative of local superintendents of schools and four members of the public, including one with expertise in large data systems and data security, are appointed by the Governor with the advice and consent of the Senate. Members appointed by the Governor serve three-year terms and may be reappointed but may not serve more than two consecutive terms. The Governor must appoint a chair of the governing board from among its members.

The board fulfilled its charge to establish the organizational placement and location of the center when it decided that center operations will be carried out by a partnership of five entities: the Maryland State Department of Education; the Maryland Higher Education Commission; the Department of Labor, Licensing, and Regulation; the School of Social Work at the University of Maryland, Baltimore; and the College of Education at the University of Maryland, College Park. Under this partnership, the board has co-located the center at the School of Social Work at the University of Maryland, Baltimore (administrative and research offices) and the Maryland State Department of Education (technical staff).

Additionally, the board is required to appoint the executive director of the center, approve the center's annual budget, and establish the policy and research agenda of the center. The board established an initial set of 15 policy questions that have served to guide the work of the center, its research agenda, and the development of the system. The following are examples of the types of policy questions the system is designed to answer:

- Are Maryland students academically prepared to enter postsecondary institutions and complete their programs in a timely manner?
- What percentage of Maryland high school exiters go on to enroll in Maryland postsecondary education?
- How likely are students placed in developmental courses to persist in postsecondary education and transfer and/or graduate?
- Are exiters of Maryland colleges successful in the workforce?

The Maryland Longitudinal Data System is statutorily required to be fully operational by December 31, 2014.

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